THE IMPACT OF THE ADMINISTRATION'S FISCAL YEAR 1986 BUDGET PROPOSALS ON HOUSING FOR THE ELDERLY

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND CONSUMER INTERESTS

OF THE

SELECT COMMITTEE ON AGING
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

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THE IMPACT OF THE ADMINISTRATION'S FISCAL YEAR 1986 BUDGET PROPOSALS ON HOUSING FOR THE ELDERLY

THURSDAY, MARCH 7, 1985

House of Representatives,
Select Committee on Aging,
Subcommittee on Housing and Consumer Interests,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:25 p.m., in room 2359-A, Rayburn House Office Building, Hon. Don Bonker (chairman of the subcommittee) presiding.

Members present: Representatives Bonker, Lloyd, Hammerschmidt, Ridge, Gekas, and Christopher H. Smith.

Also present: Representatives Wise, Wolkmer, and Siljander.

Staff present: Gretchen Sörensen, research assistant; Nancy Mulry, staff assistant; Patricia Lawrence, minority staff director; and Jan Porush, minority staff assistant.

OPENING STATEMENT OF CHAIRMAN DON BONKER

Mr. Bonker. The Subcommittee on Housing and Consumer Interests of the House Select Committee on Aging will come to order.

I would like to welcome you, Mr. Mayor and the other witnesses, to the subcommittee's hearing this afternoon, the first of the committee's hearings for this new year and this session of Congress.

This morning the subcommittee is meeting to review the Reagan administration's proposed cuts in Federal housing programs, and assess the impact these proposed cuts will have on older Americans.

Simply stated, the President has called for a 2-year moratorium on all new construction and major rehabilitation of federally assisted housing. Rental assistance programs administered by the Department of Housing and Urban Development to seniors and low-income individuals would be slashed drastically. Rural housing programs under the Farmers Home Administration would also be eliminated; and the administration proposes transferring these program functions to HUD, but not until 1988.

I am especially concerned that our Nation's senior citizens will suffer the most should these proposed cuts become a reality. Even at current funding levels, we are far from able to fulfill the need for federally assisted housing for the elderly. According to a study recently completed by the Senate Aging Committee:

> Roughly 2 million of the 3.2 million low-income elderly renters eligible for Federal housing assistance are currently not served by Federal housing programs.

In addition, we are losing thousands of units of our present housing stock annually because the demand for modernization and major rehabilitation far exceeds the available funding. The National Association of Housing and Redevelopment Officials estimates that 350,000 newly constructed or substantially rehabilitated units will be needed each year until the end of the decade to address the elimination of currently deficient or overcrowded units in the national housing supply.

Last year, this subcommittee investigated the tragedy of homeless senior citizens; at that time, estimates of the number of homeless older Americans ranged from 30,000 to 400,000. According to the HUD report issued at the time of our hearing, Federal programs including "subsidized housing" were part of a safety net which "provides help for some older people who would, otherwise, be homeless." I am afraid that the cuts proposed in the President's 1986 budget proposal may underscore this point, leaving thousands more older Americans without adequate housing.

The administration defends these cuts as necessary to reduce the Federal budget deficit, which hangs like a dark cloud over our Nation's economy. I think all of us in Congress share the President's concern over the deficit, and believe tough measures are necessary, but the administration's deficit-reduction prescription is completely one-sided.

We cannot bring the deficit under control if we begin by increasing military spending by $34 billion. The only way we are going to bring down this deficit is if every part of the budget shares in the sacrifice. The President's plan would place the burden solely on those who can least afford to pay and those least able to make their voices heard in the political process—the poor, the elderly, and the unemployed.

It is important to note that this is not the first time that the Reagan administration has attempted to slash Federal housing assistance. In 1978, HUD assisted some 300,000 units under the section 8 and public housing programs; for 1986, the administration intends to provide housing assistance to only 3,500 units. Prior to the Reagan administration, as many as 21,000 new units of specialized housing for the elderly were constructed annually under the section 202 program; this administration last year sought only 10,000 units, less than half the number recommended by the 1981 White House Conference on Aging.

This Government has a 50-year commitment to the goal of affordable housing and a decent living environment for every American. We are here today to review the impact that this administration's proposed cuts in the field of housing will have on our ability to fulfill that commitment.

I know that my colleagues on this panel, indeed throughout the Congress, are faced with the most compelling issue at the moment, and that is deficit reduction. And we are going to be coping with how those reductions will come, in what form, what programs will be spared, which will be eliminated and this is on the minds of all of us as we attempt to look at these programs separately.

But in any case, our purpose will be to balance the compelling social and economic needs of the country with that other policy imperative, to bring down the size of the deficit.

Mr. Mayor, as an elected official, you know full well the dilemma that we face.

At this time I would like to call on the ranking member, Mr. Hammerschmidt, for any opening remarks he may have.

STATEMENT OF REPRESENTATIVE JOHN PAUL HAMMERSCHMIDT

Mr. **Hammerschmidt**. Thank you very much, Mr. Chairman, and may we all wish you a happy birthday.

Mr. **Bonker**. Thank you.

Mr. **Hammerschmidt**. Mr. Chairman, I am pleased that representatives of the Department of Housing and Urban Development and the Farmers Home Administration are with us today to review the effects of their respective budgets on housing programs for the elderly. We are also fortunate to have expert witnesses who can provide their perspectives on the budget, starting off with the very distinguished Mayor Sutherland from your fine State.

You know, even a nonexpert such as myself could not help but be surprised by the extensive changes recommended in the HUD and the Farmers Home budget proposals. Correct me if I misunderstand this, but it seems to me that these budgets recommend that the Federal Government get out of the assisted housing business for the next 2 years.

Aside from the current contracts and the units that are in the pipeline, HUD and Farmers Home are recommending that no additional units be built or substantially rehabilitated in fiscal 1986 and fiscal 1987, and outside of prior commitments or property disposition and management activities, they are not recommending funding for additional units under the section 8 existing or the voucher programs.

All of us of course realize that the budget deficit is a serious problem; one which will require many hard decisions and compromises. One way to address this problem would be to identify areas of Federal spending where the responsibility would more appropriately lie in the private sector.

Looking over these proposals, at this time, I remain unconvinced that low-income housing is such an area. Aside from one sentence in HUD's budget which states that "The budget for fiscal 1986 reflects the administration's effort to reduce Federal spending." No rationale is provided for the housing moratorium, and no reference is made to these programs being ineffective, too expensive, or poorly managed.

Many of us remember prior testimony in which the chief economist at the National Association of Home Builders stated that little or no low income rental housing is being constructed outside the Federal Government. And, that an increasing number of units are being converted or abandoned, further squeezing the lower income renter.

The report of the President's Commission on Housing in 1981 stated that almost 2 million low-income older persons were paying more than they could afford for rent. So under these circumstances, it does not seem to me that the Federal Government can abandon its responsibility for the construction and rehabilitation of low-income housing for 2 years.

I would also like to express my concern about the proposal to eliminate the Farmers Home Housing Programs in fiscal 1986 and 1987 and the transfer of their functions to HUD in fiscal 1988.

Farmers Home Housing Programs were developed because HUD programs and agencies were not responsive to the needs of rural areas. HUD states that in fiscal 1988 it plans to return to its current policy of providing 100,000 housing commitments, half of which will be placed in rural areas.

When we look at the Congressional Budget Office figures for fiscal 1985, we find that HUD provided almost 100,000 units, Farmers Home over 90,000 units. So it seems to me that if we are talking about returning to a 1985 level of commitment, HUD, by 1988, really should be providing at least 190,000 units.

So these are some of the issues that trouble me. Because of the scope of these budget proposals, I deeply appreciate the efforts of our witnesses to share their views with us. After the hearings of course we will summarize the information we learned here and then we will submit our recommendations to the Committee on the Budget.

Thank you very much, Mr. Chairman.

Mr. Bonker. Thank you, Mr. Hammerschmidt.

Any other opening remarks? Mr. Wise, any comments?

Mr. Wise. I think you and Mr. Hammerschmidt have stated the case well and we look forward to the hearing.

Mr. Bonker. Mr. Ridge.

Mr. Ridge. I would like to associate myself with both sets of remarks.

Mr. Bonker. Well, we have reached a consensus, at least on the opening remarks.

At this time, I would like to submit the prepared statement of Congressman Christopher Smith for the hearing record. Hearing no objections, it is so ordered.

[The prepared statement of Representative Christopher Smith follows:]

Prepared Statement of Representative Christopher H. Smith

As a member of the House Select Committee on Aging and new member of its Subcommittee on Housing and Consumer Interests, I am glad today to see this subcommittee addressing an issue which can only increase in importance as we move into the next century—housing for the elderly.

Housing for the elderly is a need which has continued to grow and which will become an even greater concern as the so-called baby-boom generation reaches retirement age. Steps must be taken now, not only by the federal government but also by private groups, to assure availability of affordable housing for our future elderly.

In studying the proposed HUD budget for FY '86, it is apparent that needed programs are scheduled to be frozen at FY '85 levels or even eliminated. This is, however, unacceptable in light of the available facts and demographic projections. Mr. Chairman, 14 percent of the elderly are now at or below the poverty level and are, therefore, in need of assistance. Census reports show us that in 1980 there were approximately 20 million Americans age 65 and over. At projected levels, that number will reach 35 million by the end of this century.

Mr. Chairman, our elderly population is growing faster than ever before. We must remember that these "senior citizens" have contributed incalculably to the success of this great nation. It is, therefore, out duty to make certain that they are able to enjoy their later years with satisfaction not fear.

Mr. Chairman, I am certainly a strong supporter of deficit reduction and a balanced budget. Yet it is important that in seeking to obtain our goals, we must look at each program carefully to determine not only cost or cost savings but also need. Housing programs have taken the deepest cuts of any federal programs over the past four years. In FY78, the HUD budget authority was just over $31 billion. For FY86 that budget authority is presently $6.9 billion. Clearly then, an indiscriminate freeze or large cuts in spending on housing could be unwise and unhealthy for American society, and particularly the aged.

In the Fourth District of New Jersey, individuals attempting to enter housing projects for senior citizens must wait sometimes years to get in. Surely now is not the time to cut back on construction of such needed programs as Section 202, which is designed especially to meet the needs of the elderly and handicapped. What will a two-year moratorium on new construction under this program do to the already tremendously long waiting lists at the already existing facilities? What will those individuals who must wait to get in do in the meantime to satisfy their housing needs?

Mr. Chairman, the housing need in this country is great. We cannot ignore it. I propose that as Members of Congress, we act responsibly as we make budgetary decisions. These are not mere numbers we are dealing with but people. We cannot forget that.

Mr. **Bonker**. We are pleased to have with us today Mayor Sutherland, who comes to us from Tacoma, WA. My staff called the Conference of Mayors and asked for the best person in the country to come and testify on federally assisted housing programs, and lo and behold they recommended Doug Sutherland. Tacoma, while it is not in my district, is nearby and we of course know of Mr. Sutherland's fine work on behalf of the people of that city.

Mayor, it is great to see you in this Washington, and we are anxious to hear your statement today.

STATEMENT OF HON. DOUG SUTHERLAND, MAYOR, CITY OF TACOMA, WA, ACCOMPANIED BY LAURA WAXMAN, ASSISTANT EXECUTIVE DIRECTOR, U.S. CONFERENCE OF MAYORS

Mr. **Sutherland**. Mr. Chairman, thank you very much. I certainly appreciate the opportunity to be here with you. First of all, to wish you happy birthday like the others have already done.

Mr. **Bonker**. That will be standard procedure for the remaining witnesses.

Mr. **Sutherland**. I would like to take this opportunity first of all to introduce the charming lady to my left as Laura Waxman, who is with the U.S. Conference of Mayors, and has been most helpful in preparing me as well as others relative to this particular that we are going to be discussing today.

I am really delighted to be here in the other Washington, to be able to give some kind of perspective as to what it is like in the other Washington, the State of Washington. It is a little different there. We are up in the lefthand corner of the United States and sometimes it feels like that there are real problems.

Mr. Chairman and members of the committee, I appear before you at a time when the very future of most of the programs of concern to this committee is really uncertain. And I appear before you to reaffirm the policy of the U.S. Conference of Mayors that assisted housing programs, community development block grants, urban development action grants, section 312 loans, section 108 loan guarantees, housing development action grants, and rental rehabilitation grants that must be maintained at an adequate funding level. As recently as January 17 the conference's committee on community development, housing and economic development met and in a consciously bipartisan manner adopted the policy again to this effect. These programs are critical to the Federal-city partnership, and we cannot afford to abandon them.

The Federal Housing and Community Development Programs have shaped American cities today; they certainly have added greatly to it. They have contributed to the building boom in many of our downtown areas, to the revitalization of our inner city neighborhoods, and to efforts to try to meet the demand for housing affordable by low-income people of this Nation. But they have been cut in the last few years, and there is yet so much to do.

The Conference of Mayors supports an all income housing policy, with particular emphasis on meeting the needs of lower income persons and of the elderly. The lack of available housing affordable by low-income people is a particular problem in many of our cities.

Last June we conducted a study of housing needs and conditions in America in American cities and found that first of all, 61 percent of the 66 cities surveyed had closed their long waiting lists for assisted housing; second, 55 percent of the respondents said that one-fourth or more of their section 8 certificates had to be returned because original recipients could not find suitable dwellings within the time allotted.

The average wait for assistance in the surveyed cities was 20 months, and one of the cities reported a wait of 302 months for assistance. For elderly households, the average wait was 16 months, and one city reported a wait of 301 months for public housing for the elderly; seventy-seven percent of the cities surveyed said that the demand for low income housing assistance had increased over the last 2 years; and 89 percent of the surveyed cities said that the private sector would not be able to meet low income housing needs without public subsidies.

The elderly have special housing needs. Clearly, a major factor in the housing situation of older Americans, obviously, is income. Despite the high percentage of older homemakers and homeowners, nearly one-half of all of our homeowners living at or below the poverty level are 65 years of age and older. To meet the rising maintenance costs, cleaning expenses, property taxes, insurance, water, and utilities can prove nearly impossible on a retirement income.

The housing problems of one-third of those 65 and over who are renters are somewhat different. The availability of rental units at a price which they can afford is of prime concern. This is particularly true in high rent areas of our cities and for the marginally poor who do not qualify for Federal housing assistance.

For the large number of rental apartments being converted to condominiums or cooperatives, older residents often face the dual prospect of leaving their homes of many years and trying to find new shelter at affordable rates.

Since 1975, Tacoma has received a total of 603 units through the section 8 program. We categorize those as follows:

Section 8, the elderly, 358 units for $1.4 million. Section 8, 202 elderly, 123 units for $565,000. Section 8, 202 handicapped, 6 units for $21,900. Section 8, family, 116 units for $696,000. Public housing, nearly 1,500 units with over 350 for the elderly.

We currently have about a 3-month waiting list in Tacoma for elderly housing. The wait for other section 8 housing is between 6 and 15 months. The public housing, 6 to 12 months. Today there are several hundred people eligible and in need waiting for assisted housing in the city of Tacoma. The proposed moratorium on assisted housing will only serve to lengthen their wait.

Federal funding for subsidized housing programs has been reduced by almost 66 percent since 1981. The administration's budget proposal for the next fiscal year would put a 2-year hold on Federal support for addressing the growing low-income housing backlog. If this is allowed to happen, the desperate housing situation in many of our cities will only worsen.

I will digress just a moment from the prepared text here to indicate to you that the city of Tacoma is indeed different than many of the cities where the city of Tacoma is a city of 160,000 people; when you get into some of the major urban areas the differences are alarmingly different. One of the problems that we face is to be able to assess these things, taking into account that tremendous differences between areas, regions, and cities.

The Conference of Mayors opposes these budget proposals and urge that the assisted housing programs be maintained at least at current levels. The fiscal year 1986 budget proposals would cut CBDG by 10 percent. A shift is proposed as well that would change the ratio of funding for entitlement cities and small cities from 70:30 to 60:40. These two proposals taken together would result in a 23-percent cut for entitlement cities, and put small cities in competition with the rural areas for funding. The Conference of Mayors opposes both.

Since 1975, Tacoma has received a total of $29.3 million through the Community Development Block Grant Program. We have used approximately 10 to 12 percent of these funds for social services, with the rest fairly evenly spread between housing, economic development, and physical improvements. With our Community Block Grant funds we have acquired and renovated two buildings which are now used as senior centers. We provide these facilities, as well as funding for legal assistance and housing counseling for the elderly. While other cities operate their programs, we provide the facilities as well. For Tacoma the proposed 23-percent cut in the CDBG Program will mean a loss of jobs, both public and private, and the elimination or reduction of needed social services and great difficulty in leveraging private investment.

Tacoma has received five UDAG's of $10.5 million, which have resulted in a total investment of $82.4 million and $500,000 in new taxes. The elimination of the program would leave large areas undeveloped and in a blighted condition indefinitely, and would limit the incentive for private investment in these areas.

Again departing from the text I might add that the economic tools available in the State of Washington, because of State constitutional restrictions leave us only these Federal programs as well as a program of industrial revenue bonds. Those are the only economic tools available in the State of Washington, and industrial revenue bonds have only been available since 1984–85.

So, if you were to remove these kinds of tools available to us, the revitalization of my city and other areas in the State of Washington are going to be more severly impacted than they may be in other States.

Fiscal year 1986 budget proposals would eliminate this popular and highly effective program of community block grants and UDAG's. The Conference of Mayors supports continuation of the UDAG Program, at least at current levels.

At the same time that we are fighting for the life of this program, we are also struggling with a problem that has denied UDAG funding to a number of cities over the last 18 months because of the program's highly targeted selection criteria. The Conference of Mayors, the National League of Cities, the National Association of Counties, the National Association of Housing and Redevelopment Officials, the National Community Development Association, and the Council on Urban Economic Development—we have all agreed that there has to be a common solution to this problem.

We propose that one-third of the UDAG funds be set aside for awards based on the quality of the project in accordance with existing criteria, and two-thirds be allocated under the current system based on distress, impact, and quality of the project.

In closing, I would like to stress again the importance of continued support for the section 202 programs. It meets the special housing needs of many elderly and handicapped people—in Tacoma and other cities across the Nation. It has been an extremely successful program which has brought the public and private sectors together to solve local problems. It is cost effective, because it can delay or prevent more costly institutional care for the frail elderly. It would be wrong to stop this program, even for 2 years, at this time.

Mr. Chairman, I appreciate the opportunity to appear before you and would be more than happy to respond to any inquiries that you might have.

[The prepared statement of Mayor Sutherland follows:]

PREPARED STATEMENT OF DOUG SUTHERLAND, MAYOR OF TACOMA

Mr. Bonker and members of the subcommittee, I am Doug Sutherland, mayor of Tacoma and a member of the U.S. Conference of Mayors.

I appear before you at a time when the very future of most of the programs of concern to this committee is uncertain. And I appear before you to reaffirm the policy of the U.S. Conference of Mayors that assisted housing programs, community development block grants, urban development action grants, section 312 loans, section 108 loan guarantees, housing development action grants and rental rehabilitation grants must be maintained at adequate funding levels. As recently as January 17 the conference's committee on community development, housing and economic development met, and in a consciously bipartisan manner adopted policy again to this effect. These programs are critical to the Federal-city partnership. We cannot afford to abandon them.

The Federal housing and community development programs have shaped American cities today. They have contributed to the building boom in many of our downtown areas, to the revitalization of inner city neighborhoods, and to efforts to try to meet the demand for housing affordable by low income people in this Nation. but they have been cut in the last few years, and there is so much more to do.

HOUSING

The conference of mayors supports an all income housing policy, with particular emphasis on meeting the needs of lower income persons and of the elderly. The lack of available housing affordable by low income people is a particular problem in many of our cities. Last June we conducted a study of housing needs and conditions in America's cities and found that: sixty-one percent of the 66 cities surveyed had closed their waiting lists for assisted housing; fifty-five percent of the respondents said that one-fourth or more of their section 8 certificates had to be returned because original recipients could not find suitable dwellings within the time allotted; the average wait for assistance in the surveyed cities was 20 months, with one city reporting a wait of 302 months for assistance. For elderly households, the average wait was 16 months, with one city reporting a wait of 301 months for public housing for the elderly; seventy-seven percent of the cities surveyed said the demand for low income housing assistance had increased over the last two years; and eighty-nine percent of the surveyed cities said that the private sector would not be able to meet low income housing needs without public subsidies.

The elderly have special housing needs. Clearly, a major factor in the housing situation of older Americans is income. Despite the high percentage of older homeowners, nearly one-half of all homeowners living at or below the poverty level are 65 years of age and older. Meeting rising maintenance costs, cleaning expenses, property taxes, insurance, water and utilities can prove nearly impossible on retirement income.

The housing problems of one-third of those 65 and over who are renters are somewhat different. The availability of rental units at a price which they can afford is of prime concern. This is particularly true in high rent areas of cities and for the "marginally poor" who do not qualify for federal housing assistance. Elderly renters may find difficulties in remaining in their homes as neighborhoods are revitalized or gentrified.

With a large number of rental apartments being converted to condominiums or cooperatives, older residents often face the dual prospect of leaving their homes of many years and trying to find new shelter at affordable rates. Such displacement can leave the elderly without decent and affordable housing alternatives since the waiting periods for subsidized housing are so long.

Since 1975 Tacoma has received a total of 603 units through the Section 8 Program. They are categorized as follows: Section 8 elderly—358 units for $1.4 million; section 8 202 elderly—123 units for $565,000; section 8 202 handicapped—6 units for $21,900; section 8 family—116 units for $696,000.

We currently have about a three month waiting list for elderly housing. The wait for other section 8 housing is between six and 15 months, for public housing six to 12 months. Today there are several hundred people, eligible and in need waiting, for assisted housing in Tacoma. The proposed moratorium on assisted housing will only serve to lengthen their wait.

Federal funding for subsidized housing programs has been reduced by almost 66 percent since 1981. The administration's budget proposal for the next fiscal year would put a two-year hold on Federal support for addressing the growing low income housing backlog. If this is allowed to happen, the desperate housing situation in many of our cities will only worsen. The Conference of Mayors opposes these budget proposals and urges that assisted housing programs be maintained, at least at current levels.

COMMUNITY DEVELOPMENT BLOCK GRANT

The FY86 budget proposals would cut CDBG by 10 percent. A shift is proposed as well which would change the ratio of funding for entitlement cities and small cities from 70:30 to 60:40. This is intended to compensate for the proposed transfer of the Farmers Home Administration's Community Facilities Program to the Small Cities Program with no funding. These two proposals taken together would result in a 23 percent cut for entitlement cities and put small cities in competition with rural areas for funding. The Conference of Mayors opposes both the proposed cut and the funding shift and urges that CDBG be maintained at least at the current level, with the current funding split between entitlement jurisdictions and small cities.

Since 1975, Tacoma has received a total of $29.3 million through the Community Development Block Grant Program. We have used approximately 10-12 percent of these funds for social services, with the rest fairly evenly spread between housing, economic development and physical improvements. With our CDBG funds we acquired and renovated two buildings which are now used as senior centers. We provide the facilities, while other city agencies operate the programs. For Tacoma the proposed 23 percent cut in the CDBG Program will mean a loss of jobs—both public and private—the elimination or reduction of needed social services, and great difficulty in leveraging private investment.

URBAN DEVELOPMENT ACTION GRANTS

Urban development action grants have been extremely successful in leveraging private funds for development in cities experiencing economic distress. The average ratio of private investment dollar to UDAG dollar is six to one. In many cities, individual UDAG developments have led to further private development.

Tacoma has received five UDAGs of $10.5 million which have resulted in a total investment of $82.4 million and $500,000 in new taxes. Elimination of the program would leave large areas undeveloped and in a blighted condition indefinitely and would limit the incentive for private investment in these areas.

FY 86 budget proposals would eliminate this popular and highly effective program. The Conference of Mayors supports continuation of the UDAG Program, at least at current levels.

At the same time that we are fighting for the life of this program, we are struggling with a problem that has denied UDAG funding to a number of cities over the last 18 months because of the program's highly targeted selection criteria. The Conference of Mayors, the National League of Cities, National Association of Counties, National Association of Housing and Redevelopment Officials, National Community Development Association and the Council on Urban Economic Development, have all agreed upon a common solution to this problem.

We propose that one-third of the UDAG funds be set aside for awards based on quality of the project in accordance with existing criteria, and two-thirds be allocated under the current system based on distress, impaction and quality of the project.

This position represents significant compromise on the part of the members of the conference's standing committee. It was agreed to because mayors recognize the importance of the program and want to assure that it is preserved. It is important to note that it also represents compromise within and among the six organizations mentioned above. Again, it was agreed to because we all recognize the importance of the program and want to assure it is preserved. I urge this subcommittee to give serious consideration to this proposal to resolve the UDAG allocation problem and to act quickly. The future of the program may depend on it.

In closing, I would like to stress again the importance of continued support for the Section 202 Program. It meets the special housing needs of many elderly and handicapped people—in Tacoma and in cities across the Nation. It has been an extremely successful program which has brought the public and private sectors together to solve a local problem. It is cost effective, because it can delay or prevent more costly institutional care for the frail elderly. It would be wrong to stop this program, even for two years, at this time.

I appreciate the opportunity to appear before you this afternoon and will be glad to answer any questions you might have.

Mr. **BONKER**. Thank you, Mayor Sutherland, for an excellent statement, and for giving us the benefit, not only of the conference position on some of these budget recommendations, but your own experience as mayor of the city of Tacoma.

The President apparently has found it in the national interest to place a moratorium on most programs, to terminate others, and in effect put a hold on any immediate funding of anything that relates to housing and some of the affiliated services. The impact has got to be felt at the local level, and you have made that clear in certain places in your statement.

But is it not possible that you can do without? What are going to be the immediate impacts in the city of Tacoma if we have a 2-year moratorium on section 202, section 8 and public housing programs, not to say anything about community development and UDAG funds. I do not want to get into a broad brush, but just in terms of section 202 and section 8, do you have pending applications to HUD to build new housing? Are we just creating a further backlog without too much immediate impact, or do you see very direct setbacks for the city of Tacoma?

This may seem like a softball, but you have to give us some evidence of what the immediate impact will be.

Mr. **SUTHERLAND**. On public housing, the immediate impact is not going to be seen immediately. The impact is going to be growing. Now, we have already got a problem going in our cities with waiting lists.

As you know, Mr. Chairman, in our area we have been impacted a great deal by people who are immigrating into the United States from the Pacific rim countries who have been under extreme duress; and those people do not understand cultures, and what we find is that as they come, one of the first things that they need is emergency housing. And those people are continuing to come, and our ability to be able to meet those kinds of housing needs, particularly through this supportive program, those folks do not have the availability and the knowledge of other alternatives.

So what we have been doing is utilizing the resources available to us. As they continue to come, and they will, not only from the Pacific rim but we are beginning to experience it from South America and Central America as well; we have to take care of these people as best we can. They do not have those kinds of alternatives.

Then those impact the people who are already here, who have the needs and as our communities grow older and as you look at the demographics of the aging of our Nation, you will find that more and more people are becoming in need of those kinds of assistance programs. If you put it on hold, you are not going to see an immediate response, but what will happen as time goes by month by month the impact is going to grow, and it is going to grow substantially.

Our survey, which we will leave with you on the housing needs and conditions of American cities which we conducted in the middle of last year, addresses many of those needs.

Mr. Bonker. Are many of the refugees who are being relocated and communities in Washington State and throughout the country elderly?

Mr. Sutherland. Some are.

Mr. Bonker. And thus qualify for these programs. Most of them are geared toward elderly or handicapped.

Mr. Sutherland. That is true, but Mr. Chairman I have limited resources, and if I divert those limited resources to take care of refugees, then I lose the ability to take care of the elderly. You are placing on me the burden of making those policy decisions; which do I prioritize? Those who do not have the skills and capabilities to be able to adjust to this situation, or those who have been here and who have been making a substantial contribution to our communities and to our nation over many years.

Those kinds of choices, like yours, are difficult at least, and I would just as soon not have to——

Mr. Bonker. We are just trying to push our choices off to you——

Mr. Sutherland. Well, basically that is what happens, you know, and when the crunch comes down, it comes down to us, and unfortunately I get the telephone call immediately.

Mr. Bonker. Well, if the President's intent is not to recognize a problem, perhaps he does recognize through his own reports that there is a dramatic need for elderly housing and the Government has a role to provide that housing, but that the Federal Government is no longer able, financially, to meet that need and thus it should be met at the State and local levels.

Is there any possibility that Washington State, under such new, enlightened leadership and the city of Tacoma, which has been under very able leadership, at least since 1982, able to pick up on what the Federal Government has been providing. Can you expand your tax base, can you find alternative funding sources to meet some of this need?

You made reference to the rehabilitation of two old buildings that serve as senior citizens centers. Could that have been realized under other funding sources, or are we talking about having those two centers or nothing?

Mr. **Sutherland.** I do not think that you can make a categorical statement yes or no, in response to your inquiry; whether or not we had—you know, we are either going to be there or we are not, depending on this program.

Cities, and those who function in the cities have to be terribly innovative from time to time, and as the needs arrive and as the needs get larger, we have to find new and different ways to be able to respond to it.

I think that if you were to respond on the basis of the ability to increase taxation in our State, no, I do not think that that is—you know, we have squeezed that grape almost dry. The ability to be able to find funds from user fees; you know what we are dealing with are the elderly, and for the most part they are already poor. And to be able to find more resources from them is difficult at best, and then they have to make the choices of whether they eat or stay warm. You are familiar with most of those arguments; we have been faced with them for quite a while.

If we try to do other avenues to be able to meet these needs, we will try them. And I think that as the demands increase on the local area, we are going to try to be able to respond to it. But I think the partnership that we have already established over these many years is and has been very important, and I think it is necessary that we continue it.

I think there is not a mayor in the United States that does not recognize the dilemma that you folks are faced with as far as the deficit is concerned. Because if it does not come under control, it is going to impact us in ways that we have no idea of being able to describe today. But at the same time, we are also trying to protect that which we need to have.

So I think, Mr. Chairman, we buy in on the idea that the deficit has to be reduced. And I think that what we would try to accomplish is to do this on the basis—as the maximum equity possible. As you look at the needs of our communities, the elderly and the housing areas, I think that to be able to reduce it or to freeze it; it only complicates the problem later on.

I also disagree with the idea that the only way you are going to solve it is to go borrow money. There has got to be some other way.

Mr. **Bonker.** If you find out, please let us know.

Mr. Hammerschmidt.

Mr. **Hammerschmidt.** Thank you, Mr. Chairman. We are probably just about 1 minute away from having to leave here for a vote, I would suppose, so at this time let me just thank Mayor Sutherland for his valuable testimony, and then if I return, let me take the opportunity to ask questions later.

Mr. **Bonker**. Mr. Hammerschmidt has noted that we have a pending vote. We will recess for about 10 minutes and then reconvene. Mayor Sutherland, if you do not have to leave immediately, we will give other members of the subcommittee the opportunity for questions when we return.

Mr. **Sutherland**. I would be delighted to.

Mr. **Bonker**. The subcommittee is in recess.

[Recess.]

Mr. **Bonker**. Mr. Mayor, we were about to proceed with Mr. Hammerschmidt, who has been replaced by Mr. Smith from New Jersey. Mr. Smith, this is Mayor Sutherland of Tacoma, WA, one of the great cities in the Northwest, who has just testified on behalf of the Conference on Mayors concerning the President's proposed fiscal year 1986 housing budget.

Mr. **Smith**. Mr. Chairman, unfortunately, I did have another hearing in the Foreign Affairs Committee. I was, therefore, unable to be here earlier, so I did not hear your testimony. I will, however, look it over, and I appreciate your being here and welcome you.

Mr. **Sutherland**. In addition to the testimony that we left earlier, we also have recently completed a survey of not only the issues of the elderly and housing, but also the impact on America's cities of the whole Federal budget. This just came off the press and Laura, here, tells me that I am the only mayor that has a copy of it. So it will be released tomorrow and we would like to submit this to you as part of your record tomorrow.

Mr. **Smith**. OK.

Mr. **Bonker**. If there is no objection, the document will be included in the official record of the committee.

[See appendix 1, p. 59, for material submitted by Mr. Sutherland.]

Mr. **Bonker**. One final question, Mayor Sutherland. We are going to be involved in a continuing process of program evaluation—reducing and eliminating some, preserving others. When the county commissioners met with our delegation a few months ago, they went the extra step and said counties would be willing to negotiate on some programs, but others, like revenue sharing, had to be preserved.

Is the Conference of Mayors getting to a similar point where they will be able to come up to the Hill and say to the Congress, these are the programs that are vital and must be retained, and these are other programs that we can afford to reduce or eliminate.

Mr. **Sutherland**. Mr. Chairman, the Conference of Mayors has not arrived at that position yet. I think that as we see the development of the budget as it goes through, that we are, in all probability, we are going to have to do that. But at this juncture, we have not arrived at a consensus to be able to come and give you that kind of negotiable tools in which to work with.

Obviously, we are going to try to do that, and as best we possibly can, give you signals as to what we really need so that you have got a sense of what is available to work on as far as the U.S. conference is concerned, and how mayors feel so that you get a sense of what is crucial; what is absolute, and which are the areas that you have got some maneuvering room.

Now, part of our problem is that cities use these things in such enormously different ways. Where in one place revenue sharing may be one of those places that you can find room to negotiate. In other cities, it is the most critical and crucial. In my city, revenue sharing provides about $3 million for my police and fire departments. You pull $3 million out of a general fund budget of 77, and it has got a significant hurt.

Yes; there are some places that you can and some places that you can't. We are going to try to find a way to give you those kinds of tools to find that out.

Mr. **Bonker**. Mr. Smith.

Mr. **Smith**. As you probably know, in addition to its moratorium, the administration in the last few years has been promoting the idea of a voucher system. I was wondering if you could give us your view and the conference's view of the voucher system.

It would seem to me, just looking at the way the administration is posturing, that after the moratorium in 1973 came a whole list of new types of programs including section 8. Now the administration is clamping a moratorium on section 8's and 202's, and is looking, I think, to move forward after the 2 years with an expanded voucher program. So I would appreciate your views on that.

Mr. **Sutherland**. Vouchers are used as another one of those kinds of tools, and we haven't really come to a posture as a conference to give you that kind of an answer. Again, let me reiterate the need for flexibility so that we have the ability to be able to find alternatives to be able to work this thing. If you guys take away all of our tools and then say, "Here, you guys have got the problem," we have got nothing to work with. Really, we are out there willing to share this burden and to be able to find as many of these things as we can, but if you take it all away from us and forget about the partnership, then we at the local level, the States and cities, are going to have to find that. I don't think vouchers should be used to replace those kinds of tools. It is a tool, but it is like this: Let's not put all our eggs in one basket and then take away the basket.

Mr. **Smith**. Mr. Chairman, if I could continue my questioning. I know I yielded back my time before.

As you know, the section 8 program puts a very heavy emphasis on home ownership—that is, the individual actually owning the home. Obviously then there is a spinoff benefit in terms of the community: pride in the community as well as in the individual family. Could you comment on your views regarding section 8, and whether or not you feel the amount of money proposed in the fiscal year 1986 budget would be sufficient to continue the program?

It is my view, just talking to other Members of Congress, that we probably will not go along with the moratorium on section 8 housing, and I would appreciate your views on that.

Mr. **Sutherland**. I am glad to hear you say that. Laura was just telling me that the average waiting list on section 8 is over 2 years. That was on a survey of 157 cities. I concur with you on the moratorium. People continue to live every day, and they can't be put on a moratorium. Ownership of houses, particularly for the elderly and the poor I think is critical because it maintains their sense of independence. But also what it does is that it puts them in a situation where they have to maintain that residence. I had a nice Mrs.

Gray call me up who was laying in her bed because she is handicapped. Her age is 78; she is living in her own home. Her home was built in 1894. Now, 1894 on the East Coast doesn't mean an awful lot. On the West Coast, where housing construction is substantially different, a house that is that old is an old, old house. She needs a new foundation. The only way that she is going to be able to do that is through some of these programmatic funds that we are able to funnel through for housing redevelopment and renovation.

Her house is about ready to fall down, yet she still maintains her independence and maintains the ownership of that home, even as a handicapped person. So it has got to be there.

Mr. Smith. Do you tend to agree with the administration that the emphasis should also be on rehabilitation of existing housing stock as opposed to new starts?

Mr. Sutherland. I don't think that you can do one or the other; I think you have got to do both.

Mr. Smith. I mean emphasis rather than an "either/or" relationship.

Mr. Sutherland. It depends on what city you are talking about. In my city, I can handle a great deal of housing stock and rehabilitation because I have got a good, fair amount of existing housing stock to be able to take care of that. But there is a point here pretty soon that I am going to have to start building new because the number of those folks that are lining up to be able to utilize those kinds of programs is getting larger and larger. My waiting list is getting longer and longer. But in my city, that is a circumstance. In other cities, that is not true. They need new housing stock because they don't have anything to rehabilitate.

Mr. Smith. Thank you very much for your answers.

Mr. Bonker. Mayor Sutherland, thank you so much. Your testimony is valuable to our understanding of what the potential impacts will be. We will be in touch with the Conference on Mayors to update our numbers on those for waiting, the average length, and other factors that will help to develop our record.

Thank you so much.

Mr. Sutherland. Mr. Chairman, thank you very much. It is our pleasure to have been here.

Mr. Bonker. We shall now hear from the administration. The next witnesses will be Ms. Janet Hale and Mr. L.D. Elwell. My apology for the delay and interruptions because of voting, but we are most interested in what you have to say, particularly in view of the President's budget recommendations that have been sent to the Hill.

Janet Hale is the Deputy Assistant Secretary for Housing Policy, Financial Management and Administration at the Department of Housing and Urban Development; one of the shorter titles downtown at Housing and Urban Development. She was appointed in 1982 by Secretary Pierce.

Mr. Elwell is the Assistant Administrator for Rural Housing with the Farmers Home Administration, who may no longer have a job if the budget recommendations are approved here on the Hill. We shall await the outcome. I assume you would be transferred along with your programs to some other Department in the Defense Establishment or somewhere where you can make good use of your talents.

Ms. Hale, we are very pleased you are here and anxious to hear what you have to say. We have got your statement.

Ms. **Hale**. I thought maybe I would summarize it for you, Mr. Chairman, if that is all right with you.

Mr. **Bonker**. Please do.

STATEMENT OF JANET HALE, DEPUTY ASSISTANT SECRETARY FOR POLICY, FINANCIAL MANAGEMENT AND ADMINISTRATION, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. **Hale**. Mr. Chairman, I think the major emphasis in order to understand the 2-year moratorium is that you need a little history about where the Department of Housing and Urban Development has been over the last couple of years.

Mr. **Bonker**. Where has it been?

Ms. **Hale**. It has been here; it is alive and well. As you will see from the chart on your right, it has been growing. When Secretary Pierce and President Reagan came in—let me get to the point of explaining that—but I will tell you that we are here and alive and well.

When President Reagan came in and Secretary Pierce, they looked at the long-term housing debt that was facing this Nation and this Congress and the issues that we had to wrestle with. It was projected in 1981 that by the end of 1982 we would have a quarter of a trillion dollars in long-term housing debt. I think that at that stage the President, the Secretary, the President's Commission on Housing——

Mr. **Bonker**. Could you elaborate on what you mean by long-term housing debt?

Ms. **Hale**. The financial responsibility, the commitment of this Government to pay out over the next 20, 30 or 40 years, a quarter of a trillion dollars.

Mr. **Bonker**. For how many years?

Ms. **Hale**. Depending on the kind of housing units, long-term debt, public housing.

Mr. **Bonker**. That is an extraordinary figure, but what does that come out to per year?

Ms. **Hale**. I am not quite sure I can translate that. We have been appropriating new money at a rate of $10 to $20 billion in each fiscal year.

Mr. **Bonker**. Are these all programs you are talking about?

Ms. **Hale**. The Housing Programs administered by the Department of Housing and Urban Development. Public housing, existing section 8, section 8 new construction, the old 236's.

Mr. **Bonker**. Many of these are direct loans to private, nonprofit sponsors, and the money is to be repaid.

Ms. **Hale**. It is the section 8 obligation that goes along with those 202's.

Mr. **Bonker**. So you are talking primarily about section 8?

Ms. **Hale**. Section 8; public housing. The long-term obligations that we entered into; how many years ago, under the old programs of 236 and Bemers. We house currently about 3.9 million families;

it is that long-term debt to house those individuals. That is what that chart represents. In the last 4 years, Mr. Chairman, when we came in, this administration was housing 3.2 million families. At the end of 1986, we will house over 4.2 million families, but with this administration's proposal, and the actions of the last 4 years, we will have taken that debt of a quarter of a trillion dollars and reduced it to somewhere around $193 billion.

Mr. **Bonker**. Well, I am glad you are reducing one of the debts.

Ms. **Hale**. At the same time, we are increasing the number of families that we are serving with the Federal Housing Assistance administered by HUD.

Mr. **Bonker**. That is extraordinary; it truly is.

Ms. **Hale**. We think so.

At that point, I think the next question is that we have faced the last 4 years of looking at redirecting the House Programs, as Mr. Smith referenced. We have been relying on trying to move toward vouchers. Moving in new program directions. We have come to a time in this administration where this country is facing a Federal deficit, and the question is what do we do and where do we go from here?

The administration, as you have referenced and the mayor before us has talked about, the administration's proposal is a 2-year moratorium on any new families going onto the Federal rolls. That means that we will not ask and have not asked for any new assistance. But during that 2 years of the moratorium, we will be assisting 207,000 families more because of the units that have already been appropriated, authorized and appropriated, because of the pipeline.

Fifty-two thousand of those units are 202 units, particularly targeted to the elderly population that I know this committee is interested in. The other programs, and I think that is an important thing to understand about the moratorium is that it is only slowing the rate of growth for new families that will be going on Federal assistance. There is absolutely no decrease in the subsidies of any family that is currently receiving Federal assistance; none is projected.

We have said that in the next 2 years we have asked for a moratorium on any incremental families at the same time that we will be completing the pipeline, building units and housing new families. We have also asked for a partial moratorium on modernization funding for our public housing stock. I emphasize the word "partial." We have asked for $175 million in modernization funds to take care of emergency needs and that is the standard, traditional amount of the modernization funds that this Department spends to address the kind of needs that have to be taken care of to not have any family living in public housing have to face health or safety concerns.

The administration is proposing a 1-year, 10-percent reduction in the dollar figures for community development block grants. We are also asking for termination of UDAG. I think one of the things in the part of the testimony that I have submitted talks about the tough decisions that both President Reagan and Secretary Pierce had to make. I think both the moratorium on the number of incremental units and the decision to terminate UDAG was definitely one of those tough decisions. It is one that we can talk about and I can assume that you will be asking me about, but we take those actions in light of the deficits that this Nation is facing. At the same time, we stand committed to assisting the families that we currently are assisting since we know that over the term of that moratorium new families will be assisted, and, in fact, when we resume in 1988, we will go back to what the administration normally asked for, and that is 100,000 units of new families coming on to the rolls of the Federal Government. Again, I want to emphasize those are tough decisions and ones that are seen in the light of the Federal deficits facing this country.

[The prepared statement of Janet Hale follows:]

PREPARED STATEMENT OF JANET HALE, DEPUTY ASSISTANT SECRETARY, POLICY, FINANCIAL MANAGEMENT AND ADMINISTRATION, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Chairman Bonker and Members of the Subcommittee, good afternoon. I am happy to be testifying before you today in order to present an overview of the Administration's proposed budget and to tell you how it will affect the elderly.

I'll begin our discussion with a short review of recent economic circumstances. When President Reagan was elected to office, inflation was at double digit levels, and the Nation's housing industry was faltering. The President charged his Administration to reduce the size and cost of government, while continuing to help the neediest among us—to build a strong and lasting economic recovery and a hopeful future for all the American people.

To achieve these goals, we have had to do more with less, and we have done so. Our success has been remarkable. The rate of inflation for the last three years has been 3 and 4 percent. The housing industry is alive and healthy.

While demonstrating our commitment to helping lower-income households, the Department is providing housing assistance to more families than ever before. In FY 1981, 3.2 million families received HUD housing assistance. By 1986, that number will have risen to 4.2 million—an increase of approximately one million families under this Administration. And, as the chart indicates, we're accomplishing this feat while reducing our assisted housing debt.

In 1980, total assisted housing debt was projected at $250 billion by 1982—one quarter of a trillion dollars. It was necessary to change the course of national housing policy. By implementing a massive set of reform initiatives, we are succeeding in reducing this debt dramatically. The goals we set for ourselves in 1981 have been met.

Now it is time to set new goals. Today we face two significant economic challenges. In order to sustain the current economic expansion, we must bring the Federal budget under control. We must assure also that the benefits of prosperity are shared by all. Speaking of these challenges in his recent Inaugural address, President Reagan said, "We have come to a turning point, a moment for hard decisions."

Our budget reflects the President's challenge to reduce the Federal budget deficit. It emphasizes fiscal restraint. It imposes a two-year moratorium on additional housing subsidies, including our new Housing Voucher program, the Section 202 Elderly Housing program and Rental Rehabilitation grants. A one-year partial moratorium on funding for public housing modernization also is proposed.

I wish to emphasize that, despite the moratorium, the estimated number of subsidized units eligible for payment will have increased by 207,000 units by the end of 1987, because of units already in the pipeline. An estimated 45 percent of these units will benefit the elderly. Further, no family now receiving assistance will have its assistance reduced.

In response to Chairman Bonker's request, I shall review the proposed budget as it affects specific programs. Following the budget review, I shall discuss the extent to which we believe the elderly will be affected by the changes we have proposed.

SECTION 202

With regard to housing for the elderly under Section 202, in FY 1984, $665.8 million was reserved under this program for the construction of 14,277 units; in FY 1985 we estimate reservation of $600 million for 11,617 units. During the moratorium, construction starts and completions which result from these and earlier reservations will continue. At the end of FY 1984, there were 52,503 units in the preconstruction and construction pipelines.

In addition, Section 8 assistance for 202 projects will continue, under the terms of the original contracts, for tenants and projects already receiving such rental subsidies. Thus, there would be no reduction in the current level of Section 8 assistance for Section 202 projects currently under payment or reserved prior to the moratorium. Between 90 and 95 percent of Section 202 units are occupied by elderly tenants.

In FY 1988 the Administration expects to resume Section 202 at an expected level of 10,000 units.

SECTION 8

With regard to Section 8, the number of assisted households would continue to grow, even under the moratorium. Under this Administration, the total number of Section 8 units under payment is projected to increase from 1.3 million at the end of FY 2.3 million by the end of FY 1988. This is a 77 percent increase in housing units eligible for payment. We expect the total to reach 2.5 million by the end of FY 1990. This figure includes Section 8 rental assistance to Section 202 projects.

As you know, the Department's primary focus now is on the new Housing Voucher program authorized under Section 8. We believe vouchers will benefit the elderly. Housing vouchers reduce rent burden and can be very useful for those households, such as the elderly, who wish to remain in-place and receive assistance for their current unit (about half of Section 8 existing recipeints are assisted in-place). In FY 1988, we will be proposing funding for 88,000 incremental voucher units. In addition, the Administration will request 12,000 incremental units, 10,000 for Section 202 and 2,000 for the Indian Housing program. The distribution of the total 100,000 units will be 50/50 between metro and non-metro areas.

CONGREGATE HOUSING SERVICES PROGRAM

A total of $28.1 million appropriated over the last six years is being used to complete the Congregate Housing Services Program demonstration. The purpose of the demonstration, which began in 1980, was to test the efficacy of providing meals and support services to eligible residents of public housing and Section 202 projects in order to prevent their premature institutionalization. Sixty-two projects are now providing services under the three- or five-year contracts. We expect to receive a draft report evaluating the demonstration by the end of March, and to transmit the final report to Congress by the end of this fiscal year. We have not requested additional demonstration funds for the Congregate Housing Services Program pending its final evaluation.

PUBLIC HOUSING

In addition to our other assisted housing programs for the elderly, approximately 40 percent of our 1.3 million public housing units are occupied by elderly tenants, with units from continuing appropriations constantly coming on line. HUD's FY 1986 budget will provide continued subsidies for 100 percent of public housing project operating expenses.

This Administration is deeply committed to maintaining the public housing stock—our housing policies depend on that commitment. As a major part of this effort, we have provided billions of dollars for the modernization of this existing housing stock. Of the $7.4 billion of funds approved through 1984 for capital improvements, approximately $3 billion remain uncommitted. Therefore, in FY 1986 we have proposed a one-year moratorium on Modernization to utilize these unexpended funds.

During the one-year moratorium, however, HUD will provide $175 million in new loan authority to be used for emergency situations, i.e., to remove immediate threats to health and safety. Full funding of the Modernization program will resume in FY 1987.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

The CDBG program has two major components: the Entitlement program, designed to serve central cities, cities with propulations greater than 50,000, and urban counties; and the Small Cities program, which funds smaller communities not eligible for entitlement grants. The Entitlement program receives 70 percent of total CDBG funds; the Small Cities program receives the remaining 30 percent. Since 1982, the Small Cities program has been administered essentially by State governments.

Since 1979 approximately $160 million in CDBG Entitlement funds, or one percent of total program funds, has been budgeted for activities especially designed to benefit the elderly. These funds have been used to construct, rehabilitate, expand and operate neighborhood and community centers which primarily serve senior citizens. In addition, substantial percentages of CDBG funds budgeted for other public services, rehabilitation of privately-owned housing, and improvements to public housing projects have provided benefits to the elderly. An example is the Maintenance Central for Seniors in Detroit, which provides minor home repair for elderly persons in revitalizing neighborhoods. Repairs include barrier free improvements and roofing.

The proposed FY 1986 budget calls for $3.1 billion, a 10 percent reduction in funds from the 1985 level. The Administration also purposes increasing the amount of funds allocated to Small Cities from 30 to 40 percent of the total in order to accommodate rural areas. The allocation formula will change from a 70/30 percent entitlement/non-entitlement split to a 60/40 percent split.

Beginning in FY 1987, the Administration proposes increasing the amounts appropriated for the CDBG program by more than four percent per year through FY 1990.

URBAN DEVELOPMENT ACTION GRANTS (UDAG)

The 1986 budget calls for the elimination of the UDAG program. This has been one of our most difficult decisions. The UDAG program has been a good one. Over the last four years it has made possible redevelopment projects which could not have been achieved without it. However, we've come to the point where we must reduce our budget to bring down current and out-year deficits. In order to do this, the Administration has taken the position it will eliminate Federal financing and grant programs for local economic development, and this includes UDAG.

UNASSISTED HOUSING PROGRAMS

I should like also to mention some of our unassisted programs which benefit the elderly. We have attempted to ensure that our unsubsidized programs—as well as the subsidized—address themselves to elderly needs. Included are:

Section 231, Mortgage Insurance for Elderly Housing, HUD's principal program designed for unsubsidized rental housing for the elderly. Congregate housing projects can also be insured under this section. As of September 1984, 500 projects, with 66,565 units, were insured under this program.

Section 221(D)(3) and (4) mortgage insurance, under which many projects and congregate facilities for the elderly are insured. The Department has recently created the Retirement Service Center program as an expansion of the services offered under the (D)(4) program. Retirement Service Centers are market-rate residential rental projects which include meals served in central dining facilities and services such as housekeeping and weekly laundering of linens. These centers help bridge the gap between the total independence of living in non-congregate housing and the high degree of dependence in nursing homes. There has been a great deal of local interest in developing these centers.

Manufactured Home Parks. At the request of the Administration, the Housing and Urban-Rural Recovery Act of 1983 amended Section 207 of the National Housing Act to permit mortgage insurance for manufactured home parks exclusively for the elderly.

EFFECT OF MORATORIUM ON ELDERLY

Mr. Chairman, you asked about the housing needs of the elderly. Recent economic analyses indicate that significant improvement has taken place in the economic status of the elderly in recent years. The 1985 Annual Report of the Council of Economic Advisers presented encouraging statistics regarding the current financial status of the elderly, especially improvement in income levels.

However, such improvement must be viewed relative to those at the other end of the spectrum, who are in need of housing assistance. There are about 2.8 million families of the Nation's 9 million very-low-income households who have serious housing needs—that is, they either live in severely inadequate housing or they pay more than half their income for rent, with most being in the latter category. We estimate that about one-third of this group is elderly.

We are directing the focus of our housing programs toward meeting these serious housing needs. While the moratorium will slow down our progress, the resumption of new subsidy commitments in FY 1988 will permit us to meet the housing needs of the elderly and nonelderly who need help the most over the next few years.

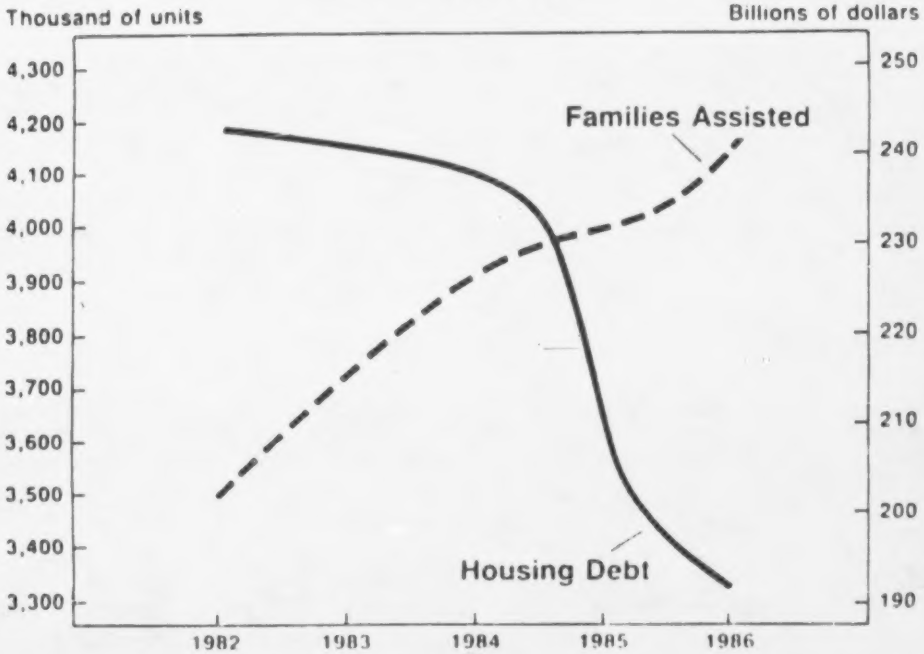
As mentioned earlier, there will by no means be a cessation of housing production or assistance under our programs. Units already in the construction pipeline will continue to reach completion, and FY 1985 reservations will carry completions through 1988. And, Section 8 contract commitments will continue for tenants and projects already receiving subsidies.

In conclusion, as I previously stated, the FY 1986 budget reflects some very tough decisions that this Administration had to make in the interests of deficit reduction. However, the decisions that we made ensure that no families currently under assistance will lose their assistance, nor will any family's subsidy be reduced.

Finally, I should like to reiterate that the deficit problem is so great that it demands fiscal restraint from all of us. We at HUD will do our part. At the same time, we shall continue to meet our obligation to help those who are truly in need; to expand home ownership opportunities; and to participate in the revitalization of America's cities and towns.

I'm happy to have had the opportunity to present this information to you. I shall be glad to answer any questions you may have. Thank you.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SUBSIDIZED HOUSING PROGRAMS
NUMBER OF FAMILIES ASSISTED AND HOUSING DEBT
1986 BUDGET



Mr. **Bonker**. Thank you, Ms. Hale, for the content and the brevity of your statement.

We will now proceed with Mr. Elwell.

STATEMENT OF LORIMER D. ELWELL, ASSISTANT ADMINISTRATOR FOR HOUSING PROGRAMS, FARMERS HOME ADMINISTRATION

Mr. ELWELL. Mr. Chairman, I can also summarize; I have a very short statement. But there are several things I would like to point out to you and members of the committee. Farmers Home will continue to service its caseload. We have approximately a million section 502 single-family loans on the books. We have 350,000 units of rental housing which will also continue to be serviced by Farmers Home to their conclusion. This is one reason for the request of $30 million of new lending authority in section 502. This would enable us to make repairs to those houses while they are in the hands of the section 502 borrower.

We are also asking for a $50 million renewal of rental assistance contracts so that as these contracts expire for a rental project, they can be renewed and the tenants can continue to have their rent subsidized. The proposed fiscal year 1986 program would shift the responsibility for rural areas to the Department of Housing and Urban Development and they would split on a 50-50 basis the services between metropolitan and nonrural. Metropolitan and nonmetropolitan areas is the way I should say that.

Probably the highlight of this short statement, Mr. Chairman, would be on page 2 which outlines that if Farmers Home does not make even one loan in fiscal 1986, there is a $2.1 billion subsidy cost that will need to be paid. That cost is a result of several subsidy programs, one being that section 502 borrowers are usually subsidized down below the market rate that they have on their note. The average interest rate is somewhere around 3 percent. The same is true for rental housing. A rental housing borrower may obtain a loan with 11 or 12 percent interest and that is subsidized in order to help the tenants pay their rent. Another source of subsidy is the difference between the note rate of interest and the rate the Government sells the note for.

The cost of this subsidy for fiscal 1986 is projected at $2.1 billion, and if the programs continue to grow as they have in the past few years, that figure also would grow. Mr. Chairman, we believe that there has been progress made in the rural areas over the past two decades, and we believe that conventional credit institutions and state and local channels for delivery of housing beyond the cities have been expanded.

The administration is confident that future Federal support for the rural housing can be delivered through the facilities of HUD and the highest priority will be maintained for programs that help the disadvantaged senior citizens find housing that meets their needs. At the same time, FMHA will continue to make single family housing loans available to elderly people from its inventory, housing that will acquire back in Government inventory, and maintaining the existing structure of our rental section 515 program which many thousands of elderly find modern, low-cost homes with the assistance of the interest credit and the rental assistance programs.

With that, Mr. Chairman, I will be glad to answer any questions.

[The prepared statement of Mr. Elwell follows:]

PREPARED STATEMENT OF LORIMER D. ELWELL, ASSISTANT ADMINISTRATOR FOR HOUSING PROGRAMS, FARMERS HOME ADMINISTRATION

Mr. Chairman, thank you for the opportunity to participate in this hearing on budget proposals that relate to housing for the elderly.

As a measure to overcome the nation's most urgent economic problem—that of the budget deficit—while at the same time continuing services of greatest need, the President has proposed that a beginning be made in fiscal year 1986 toward concentrating responsibility for Federal low-income housing programs in the Department of Housing and Urban Development (HUD).

The Farmers Home Administration will withdraw from this field except to service its existing caseload of borrowers and its inventory of available housing, and to maintain Rental Assistance agreements. The proposed budget for FY 1986 would authorize $30 million of new lending under Section 502 for urgently needed repair of low-income and very-low-income single family homes, and $50 million for renewal of Rental Assistance contracts that will expire during the year.

In addition, we will continue to exercise authority to finance the sale of homes from FmHA inventory to new owners. This activity results in new occupancy of about 15,000 homes a year by families of low or very-low income, including senior citizens.

I refer you to representatives of the Department of Housing and Urban Development for details of that department's program for expanding its services to rural areas. The President intends that there be a transition to 50-50 sharing of HUD's services between metropolitan and non-metropolitan areas, as compared to the present apportionment of about 24 percent of HUD's services to non-metropolitan areas.

No people of this country will benefit more from a successful attack on the root causes of inflation than those elderly and retired citizens who live on limited, fixed income. Housing is one of the areas in which we are challenged to find an alternative to the high rate of Federal spending inherent in present programs. Rural housing credit as now extended through FmHA imposes an annual net cost of more than $2 billion, which is the amount Congress must now appropriate every year to make up for subsidy drawdown of the Rural Housing Insurance Fund.

The rural housing programs of Farmers Home, as now constituted, have been operated for more than 20 years. The acute shortages of adequate housing and sources of credit that afflicted rural America when these programs began have been very substantially reduced over the past two decades. More than 1½ million single-family homes and 350,000 rental apartment units have been built or improved, and exist today for families of modest circumstances in rural communities. Conventional credit institutions and state and local channels for delivery of housing services beyond the cities have been expanded. The Administration is confident that future Federal support for rural housing can be delivered through the facilities of HUD, and the highest priority will be maintained for programs that help disadvantaged senior citizens find housing that meets their needs.

At the same time, FmHA will continue to make single-family housing available to elderly people from its inventory, and maintain the existing structrue of Section 515 rental housing in which many thousands of elderly peope find modern, low-cost homes with assistance of the Interest Credit and Rental Assistance programs.

With that summary and preface, Mr. Chairman, I will be pleased to answer any further questions you may have.

Mr. BONKER. Thank you, Mr. Elwell.

Ms. Hale, your boss, Secretary Pierce, was on the Hill recently and appeared before the House Budget Committee. He stated that the decision for the housing moratorium was made not by him, but by OMB.

Ms. HALE. At any point during an administration's budget negotiations, there are positions presented by both sides. Secretary Pierce, I believe what he testified to when asked the question, was asked what he asked the administration for, he had asked for incremental new families to be assisted. Budget went over in September; obviously the administration as a whole had to look at the deficit situation, and the President had to make some tough decisions.

We had, in the early stages of the budget formulation, asked for some incremental units, that is correct.

Mr. BONKER. You are good soldiers over at HUD.

Ms. HALE. I think you have to look again. As you look at the realities of what is occurring, if you look at the 207,000 units that will be coming on line to assist. If you look at the fact that we normally have about a 15-percent turnover in all of our families, we realize that in fact we would love to be able to provide more assistance. In the realities of the budget, the administration and now the Congress has to make the decisions about how to divide the Federal pie.

Mr. BONKER. Well, that we intend to do. On page 4 of Mayor Sutherland's statement, that I imagine was prepared by the Conference of Mayors, he says, "Federal funding for subsidized housing programs has been reduced by almost 66 percent since 1981." The first year of the Reagan administration, a 66-percent reduction. I look at that nice chart you have over there, and the Department of Housing and Urban Development Subsidized Housing Programs, so I think we are on the same track.

Ms. HALE. You are.

Mr. BONKER. I am trying to reconcile all this. He says that these programs have been reduced by 66 percent, and then you have that blue line going straight up.

Ms. HALE. That is the number of families assisted; it is the red line going down and the long-term obligations.

Mr. BONKER. No, I am trying to reconcile what the mayor was saying about subsidized housing programs and this substantial reduction, and what you are portraying on that chart, which looks like a substantial increase. Can you straighten me out on this?

Ms. HALE. I sure can. The number of families have gone up. In fact, the annual appropriations given to us has been reduced. Part of that is that the number of incremental families has gone down, but more importantly, we have changed the mix and the price of the individual housing assistance that we give.

Mr. BONKER. I have got to follow you and I am slow, so please bear with me.

You say that the funding has gone down; the appropriation, the funding, the expenditure level has gone down 66 percent. Do you agree with that?

Ms. HALE. I don't recognize the 6 percent but the Conference of Mayors is normally correct, so that is probably a pretty good number.

Mr. BONKER. So we are in agreement that the funding has gone down 66 percent since 1981. But you say that the families who are assisted have gone up; that category has gone up. So while the funding has gone down, you are assisting more families? How about units?

Ms. HALE. The number of units is going up. That is what that chart represents. I believe what the Conference of Mayors is referring to is probably the annual appropriations that we get. Obviously, some of those increased families are because of previous commitments, both in this administration and in prior administrations.

Also, and I think more significantly, part of the reason that the dollar figures that the Conference of Mayors is referring to is that part of that 66 percent represents the costly section 8 new construction programs that used to be funded at very high cost to us. We provide more families in a cheaper housing program. Not public housing new construction and not section 8 new construction, but vouchers and/or existing section 8.

We have changed the mix of what kind of units Congress has been appropriating and it is much cheaper.

Mr. **Bonker**. You have changed the mix?

Ms. **Hale**. In the normal level of funding that we used to get, it was very heavily targeted to expensive, new construction; section 8 new construction.

Mr. **Bonker**. OK. So in the Carter years, it was expensive new construction, and in the Reagan years it is inexpensive——

Ms. **Hale**. Utilization of the private rental market using either existing section 8 certificates, where in fact we provide rental assistance to the family to go out and rent in the private market.

Mr. **Bonker**. Rental assistance versus new construction?

Ms. **Hale**. That is right. Rather than building new units, we rely on the private apartments and provide the subsidy to the families.

Mr. **Bonker**. Is that a fair comparison? I mean, you are talking about new construction under section 8. Formerly the figures were the result of new construction, but now you are talking about rental subsidies?

Ms. **Hale**. Section 8 new construction is also a rental assistance program.

Mr. **Bonker**. Yes, I know. No new construction then since 1981?

Ms. **Hale**. There has been some in the new construction area, there has been some in public housing, but the shift of emphasis has been relying on utilization of either existing section 8 certificates or vouchers. Rather than subsidizing bricks and mortar to be built, we have the subsidy go directly to the individual and in fact allow them to rent from a private landlord with HUD subsidizing their income so that they can afford to rent in the private market. In fact, we think we can house two to three more people for every Federal dollar spent if you don't go through the expensive new construction programs, but in fact rely on existing stock where we just subsidize the income.

Mr. **Bonker**. Extraordinary.

We have another panel and we would be interested to hear what they have to say about the new mix.

Mr. Smith.

Mr. **Smith**. Thank you, Mr. Chairman, and welcome to both Ms. Hale and Mr. Elwell.

I have a couple of questions. First, as you know, we obviously have made a great deal of progress since FDR first noted that there were at least one-third of the American population ill-housed. I have seen varying estimates of about 10 to 15 percent—and I don't know really whose statistics to believe—of Americans who are still ill-housed.

I was wondering if HUD had relevant statistics that they could share with the committee either now or provide later as to the need.

Ms. **Hale**. I can give you an overview, I think. We have worked very closely with our appropriations committees to try and define that, because I think that helps us to decide what kind and how much money we should be spending in this area.

There is a study we call the "worst case," where we have tried to define the universe of the kind of people that need Federal rental assistance or housing assistance. We define those people as people living in substandard, or paying over 50 percent of their income for rent. That number is about 2.8 million families. Then we have tried to equate that to the quantity of units that we have coming on line through the pipeline; the quantity of turnover families to try and come up with a number of what might be necessary.

Mr. **Smith**. As a percentage of that need, of that 2.8 million families, what percentage of that need are we realistically going to meet through the 100,000 new incremental units in 1988?

Ms. **Hale**. What that is, and that was defined as being about 100,000 families that would be needed to add to the rolls over the next 8 years because in fact we have got the 207,000 units I addressed about coming on line between now and 1988. We normally get about 15 percent of the current families that we have residing needing the Federal assistance, so you get what we call turnover; new families that come onto the line. So in fact it is about 100,000 families a year that would be necessary, over 8 years.

Mr. **Smith**. In fiscal year 1985, Farmers Home Loan made 90,000 commitments and HUD 100,000 commitments. Yet, you say that in fiscal year 1988, when the Farmers Home Loan Program functions are transferred to HUD, that HUD will continue its current rate of producing 100,000 units of incremental housing. Should not HUD, in fiscal year 1988, really be sponsoring or providing for 190,000 units because of the transferral of functions?

Ms. **Hale**. I think the difference is that the clientele, or the kinds of housing programs we provide, our 100,000 is strictly rental assistance as I understand it, and Mr. Elwell maybe can elaborate on it. A good percentage of those 90,000 are in the homeowner category; provide assistance to in fact help the rural community purchase homes.

Again, I think if you look at the public policy decision we all have to make, do you want to subsidize in the low income area rental assistance and/or home ownership? It is very expensive for us to operate our own 235 program. I am not familiar enough with the Farmers Home, but what that is eliminating is his home ownership programs, and then it comes back on line with the rental assistance that we have been giving.

Mr. **Smith**. You mentioned in your testimony on page 2 that there are presently about 207,000 units in the pipeline. Could you just touch on what kind of mixture that is?

Ms. **Hale**. Sure. As a matter of fact, in the next 2 years, it is about 45,000 units of 202. About 2,500 units of a program called mod rehab, 44,500 of the vouchers that have been previously authorized and appropriated; about 75,000 existing section 8 certificates and about 25,000 public housing and/or Indian units.

So it is the variety of the programs that the mayor spoke about that we have been providing.

Mr. **Smith**. One question now, Mr. Chairman, if Ms. Hale could elaborate perhaps a little more on the voucher program for the committee.

Ms. HALE. Sure.

Mr. SMITH. And the success that has been realized so far in that, or lack of success.

Ms. HALE. The Voucher Program is a program, again as I described, that utilized the private rental stock. We fund an individual; we say that in fact affordability is the problem, not availability. So that we maximize the resources by supplementing the income. It goes through a local public housing authority to an individual who goes out and shops in the community that can in fact find a unit that meets the needs of that individual.

I personally feel it will be tremendously helpful to an elderly person, because the modification of the voucher to our old program called existing section 8, is what is called the shopper's incentive. And if in fact a shopper, an individual that receives a voucher, chooses to spend less for a unit than we previously have paid under the existing section 8, they could pocket that difference. If they choose to value housing more, they could pay more of their income.

For the elderly people, they should in fact, I think the bulk of them rent in place; that they have not had any assistance and they have needed the supplement to their income, they can choose to remain just where they are. And if in fact they have rented a unit cheaper than our standard, they can benefit from that and pocket the difference. If in fact they want to spend more, they can move, or if in fact because they want to stay either near their family, their friends, and the home that they have lived in or the apartment that they have lived in for however many years, they could choose to spend more of their income than 30 percent and stay in that unit.

So I think that we are really excited about the potential for it and feel that the ability to shop around, make your own independent decisions like you and I make, are very important for the low-income people we serve.

Mr. SMITH. In your description of the need, you indicated that 50 percent of income was a benchmark in determining who falls into that category. I recall that when the Brook amendment passed, it stipulated that some 25 percent of the income would be assigned toward the rental. Then a couple of years ago when we placed that figure up to 30 percent, there was a great deal of turmoil amongst seniors and poor people who felt it was a hardship.

How is that 50 percent of income figure arrived at?

Ms. HALE. It is a little different. You qualify for Federal housing programs at being 50 percent or below of area median income. The 50 percent that I refer to is an individual paying more than 50 percent of its income toward rent.

The Brook amendment capped the quantity of income that an individual would have to pay at 25 going up to 30 or a voucher will still pay a person the rate of being 30 percent of the income. So in fact we are not proposing that in fact an individual has to pay more unless they choose to, but it also gives them the advantage that they can pocket the difference and save it.

So we are not raising the 25 to 30 now to 50.

Mr. SMITH. I was not implying that. I was just talking in terms of the need and was wondering how you arrived at the 50 percent figure.

Ms. HALE. The difference in need as I understand it, obviously if you go to people paying more than 30 percent of their income the number would even be higher than 2.8 million.

Mr. SMITH. Thank you, Mr. Chairman. Thank you, Ms. Hale. I do sympathize with what you and Secretary Pierce are going through, because it must be difficult. Many of us who have been following these programs over the years can vouch for their worth as can, I am sure, members of your office and others, not to mention those who have benefited from the programs themselves.

Thank you.

Mr. BONKER. Thank you, Mr. Smith.

Mr. Gekas.

Mr. GEKAS. Thank you, Mr. Chairman. I would like to pose a few catchup questions so that I can understand a little better some of the answers as well as some of the questions.

I take it from that chart that if we had an extension through 1987 that families assisted, that blue mark would still be rising in 1987; is that correct?

Ms. HALE. That is correct.

Mr. GEKAS. So even with a moratorium declared 10 minutes from now, that would continue to go upward.

Ms. HALE. That is correct.

Mr. GEKAS. Both the number of dollars dedicated and in the number of units to be completed.

Ms. HALE. Dollars are falling; that is the red line, sir, and that is because in fact we are changing, part of that is the long-term change that is——

Mr. GEKAS. That is what I meant; that the——

Ms. HALE. Dollars are going down.

Mr. GEKAS [continuing]. They would still go the same way as the lines are going now.

Ms. HALE. That is right.

Mr. GEKAS. With respect to the 207,000 units that you are talking about, about which you were questioned before, and that is by the end of 1987, does that include an estimated number beginning from now to the end of this fiscal year?

Ms. HALE. Yes. It includes, and in fact it will even grow, because in fact the bulk of the units, like the 202 units that we have in this year's appropriations, probably will not come on line until, it could be as late as 1988 or 1989 because of the time to build.

So in fact that 207 is the difference between 1987 and 1988, but there will still be more families because of the pipeline even in 1989.

Mr. GEKAS. Let me go back to the 207,000 units include, do they not, estimates of how many projects will be approved between now and the end of this fiscal year. Is that correct?

Ms. HALE. That is right.

Mr. GEKAS. So that we really, we do not have 207,000 units committed at the moment.

Ms. HALE. That 207,000 units is not just for this year, but it could be in fact the 202 units that were committed last year or the public housing units that have been in the pipeline for a couple years that will come to completion and be occupied by a family.

Mr. **Gekas**. 202 units, those projects that will be approved between now and the end of this fiscal year, are they included in this 207,000?

Ms. **Hale**. Maybe a couple; the bulk of those I think would come on line, the 11,000 that will probably be on line in either 1988 or 1989. I do not have the breakdown of how many will be on line.

Mr. **Gekas**. When you say on line, you mean they will be approved then?

Ms. **Hale**. No; they will be occupied by a family; completed.

Mr. **Gekas**. That have already been approved, or are yet to be approved?

Ms. **Hale**. If we approve them this year, it normally takes between 2 and 3 years to have them occupied by a family.

Mr. **Gekas**. All right. So that when we talk about the pipeline, those units that are already in the pipeline, you are talking about throughout 1986 to the end of October 1985.

Ms. **Hale**. Anything that has been reserved, you know, appropriated by Congress, and that we have made reservations for. That is right. This year or anything previous that has not actually been occupied.

Mr. **Gekas**. When you have stated that you have reserved an estimated reservation of $600 million for 11,617 units, you are talking about the same thing, are you not? That you are covered for this amount whether or not the moratorium goes in.

Ms. **Hale**. That is correct.

Mr. **Gekas**. That would leave $65 million—because you were talking about $665.8 million was reserved for the construction of 14,000 units, and in 1985 you estimate reservation of $600 million for 11,000 units. This is on page 3 of your testimony.

Again, what I am angling at is that there is still a balance, moneywise, of $65 million yet to be committed. Is that correct? That can still be committed whether or not the moratorium goes into effect, or reserved shall we say.

Ms. **Hale**. Anything that is reserved in a fiscal year has to be put—we have to make the decisions and reserve that amount.

Mr. **Gekas**. Right.

Ms. **Hale**. So that in fact I believe this was the money that was reserved for in 1984; those reservations are already there and we will not be reserving any more money under 1984 money. We will just be building those units.

Mr. **Gekas**. What happens to the $65 million you have left over?

Ms. **Hale**. That was the dollar amount that we got in 1984 to fund 14,000 units. In 1985 we only got 12,000 units appropriated by Congress and that equals $600 million. So in fact we had a different funding level between the 2 years.

Mr. **Gekas**. Now that makes sense. I wish it did not, but it does.

Ms. **Hale**. The Appropriations Committee gave us 2,000 units less in 1985.

Mr. **Gekas**. And I take it from your testimony that the Department feels that even with a moratorium, and the reevaluations that will go on during that time and the projected completion of the already-funded housing units that we will not be in any kind of dire emergency; that there will be a pickup in 1988 to fulfill the needs in housing units.

Ms. HALE. Yes.

Mr. GEKAS. No further questions.

Mr. BONKER. Thank you, Mr. Gekas.

On the voucher program to which you referred in response to Mr. Smith's question, you gave a very nice description of it, but you didn't tell us about the status of implementing the program.

Ms. HALE. We have had the funds reserved out in the field; we anticipate that the first family with the voucher will be out on their communities looking some time in April.

Mr. BONKER. In April?

Ms. HALE. That is right.

Mr. BONKER. Mr. Elwell, we certainly do not want to overlook you. All your programs may disappear; you are still highly visible. I would like to hear from you as to your sense of how this transfer of programs is going to take place. If Congress is so irrational as to carry on with the recommendations, does HUD have the staff resources to deliver the programs? What about how constituents are going to be served, because we know that your agency is primarily rural in its focus.

HUD has a total of 90 offices; they are located primarily in metropolitan areas where your agency, as I understand it, has over 1,000 offices located out there where the people are, and incidentally, it has been a very responsive agency to my district office; we always find cooperation and you have helped so many hundreds of thousands of people. I think it would be a disaster to eliminate the program or the agency.

In any case, if we are going to provide the service that has been charged to your agency by way of HUD, constituents would have to be traveling 300, 400, 500 miles to get to Seattle in our case to meet with the officials and discuss applications.

Is this going to be an easy task, to transfer everything over to HUD?

Mr. ELWELL. Mr. Chairman, probably the big difference between Farmers Home and HUD is our agency has always been a direct lender; while HUD and its programs have worked through other private lenders. I think that HUD will have the delivery system to carry out their responsibilities. I do not know and maybe Ms. Hale might better address that.

I would want to make the comment, though, Farmers Home is continuing to service its own portfolio. There are always going to be houses that come back into government inventory which we will resell to people in the local areas. Our local county offices will be there, servicing the farm program and the housing program that is on the books.

There is also lot of housing that people transfer to other families. A family decides that for some reason they need to leave the area, and a transfer is made to another family, so Farmers Home with its existing county office setup would continue to serve people with the housing that it has.

Maybe Ms. Hale would be able to comment further on the question. However, it has been my feeling that the resources that HUD has would be adequate to meet the change of delivery.

Mr. BONKER. Well, they have a phenomenal record for drastic reductions in funding while at the same time dramatic increases in people served, so I suppose Ms. Hale has a way to accommodate all these programs without any staff increases or disruptions.

Ms. **Hale**. I emphasize again what Mr. Elwell said, that we are not assuming their inventory, so those people being served by their loan programs will still be there to the local Farmers Home office.

Our low income housing assistance goes through local public housing authorities so that in fact the individual recipient of the Federal assistance would still go to the same place that they have always gone to receive that.

One of the things that we are going to do with the Voucher Program this year, the units we have got, are going to do a rural and small PHA to be sure that by the time we are into 1988——

Mr. **Bonker**. I want to back up a bit. You see the program still being administered through these local——

Ms. **Hale**. Yes.

Mr. **Bonker**. If we are not going to have the agency administer the programs, who is going to administer them?

Ms. **Hale**. Remember that we are not picking up their same programs. We will not pick up their area of coverage so that in fact the rural low-income renters would not go to a Farmers Home office, but in fact would go to their local public housing authority. Our low-income housing assistance primarily goes through local public housing authorities, and that will continue.

Mr. **Bonker**. We work very little with local public housing authorities, but we work a lot with his agency.

Ms. **Hale**. I am not familiar enough, sir, with your State, your district to know who is operating an existing section 8 program there now.

Mr. **Bonker**. Would you envision that HUD would have people assigned to these various offices administered by Farmers Home?

Ms. **Hale**. No. We will be continuing to operate our programs through the same delivery mechanism that we currently do now.

Mr. **Bonker**. What about these programs?

Ms. **Hale**. We will not be picking up his programs.

Mr. **Bonker**. I am confused. I thought the administration has called for the transfer of these programs to HUD.

Ms. **Hale**. It is calling for a termination of those programs and HUD to cover their area of responsibility and their clientele with the programs that we operate.

Mr. **Bonker**. So it is terminating the programs. But I saw "transfer," I guess I read it wrong.

Ms. **Hale**. Transfer the responsibility for that geographical area to us, and then we will supply the services.

Mr. **Bonker**. They transfer the responsibility but still they would not go to the local office; they go to their public housing authority.

Ms. **Hale**. Because we will not be operating those same programs.

Mr. **Bonker**. Very interesting.

We have a pending vote, and when we return, we will hear from Mr. Martin Levine from the Congressional Budget Office, Mr. Harold Wilson from the Housing Assistance Council, and Mr. Herbert George, representing the Ad Hoc Coalition for Housing for the Elderly. While we are in recess, I would have you contemplate the testimony just heard and see what you have to say about how we are going to drastically reduce funding and still increase services. This might be one of the more revolutionary things the Reagan administration has done this year.

Thank you very much for being with us. The subcommittee will stand in recess.

[Recess.]

Mr. BONKER. The subcommittee will come to order.

For the faithful who still remain, those who are not staff assistants or relatives of the witnesses may leave the room.

I want to thank the witnesses for their patience. It is never very good to arrive at the beginning of a hearing and then have to wait until everybody else presents testimony, however, this may well be rebuttal time; you have heard the administration, and now for the record it will be good to hear whether all of their news is good news.

We will be hearing from Mr. Martin Levine, the Assistant Deputy Director for Education, Employment, Housing and Community Development—that is even a longer title than they have downtown——

Mr. LEVINE. I am not proud of that.

Mr. BONKER [continuing]. Of the Congressional Budget Office. He was formerly with the Office of Policy Development and Research at HUD, and comes before the subcommittee with extensive background in this area. Our second witness on this panel is Mr. Harold Wilson, representing the Housing Assistance Council, and who also serves as the president of Rural Housing Services. He also, has an extensive background in this field.

Our final witness is Mr. Herbert George, who represents a coalition of olderly housing organizations. He will be giving us some valuable input on how these organizations are reacting to the proposed budget cuts and elimination of program.

Your prepared remarks will be included in the official record.

Unfortunately, I have to leave shortly, so it would really be helpful for me if each of you would summarize your remarks and react to the testimony that has been presented to the subcommittee by previous witnesses. I know you all have specific issues you would like to address and I do not want to discourage you, however, we scheduled you to follow the Administration witnesses because we wanted to get a more balanced view of the President's budget proposals.

Mr. Levine, pleased proceed.

STATEMENT OF MARTIN D. LEVINE, DEPUTY ASSISTANT DIRECTOR FOR EDUCATION, EMPLOYMENT, HOUSING AND COMMUNITY DEVELOPMENT, CONGRESSIONAL BUDGET OFFICE

Mr. LEVINE. Thank you, Mr. Chairman. I will do that, if I may, by just picking up on a two-page excerpt from my statement, which deals with the funding questions. The Congressional Budget Office [CBO] is not in the position of making recommendations or suggestions to the Congress as to how it ought to be acting in this situation. I thought, instead, I would take my few moments to talk a little bit about the funding of these programs, about which there seems to have been some questions earlier this afternoon.

As you will see on page 10 of my statement, the largest direct spending programs that the Federal Government operates for housing assistance are those administered by HUD and the Farmers Home Administration. All of the major housing programs are funded through long-term assistance contracts. Those contracts are the basis for that $240 billion of outstanding debt that was referred to earlier.

Under current funding practices, each year the Congress appropriates funds that pay for some number of additional assistance commitments, which may run anywhere from 5 to 50 years. These commitments expand the pool of available assistance, they increase the share of the eligible population that can be served, and they drive outlays.

My prepared remarks include a figure that might be of some use in understanding what the administration was presenting in terms of the budget dynamics. On page 13, there are two figures. The first figure shows the number of additional housing assistance commitments that have been made in each of the last 10 years, both for home ownership, which is the first part of the bar, and rental assistance, which is the second part. As it shows, over that period we made about 2.4 million new rental assistance commitments and about 900,000 new subsidized mortgages. Most of the mortgages reflect Farmers Home programs; most of the rental assistance is provided by HUD. The clear pattern is that the assistance increment—that is, the rate at which we are expanding assistance—has been declining fairly steadily over that period.

The second figure shows the total number of outstanding housing assistance commitments, cumulatively, at the end of the year. Simply put, it shows the effect of adding on anywhere from nearly 700,000 to 100,000 additional assistance commitments each year. As a result, the number of commitments outstanding is steadily rising, but at a slower rate, because we are adding to the pie at a slower rate.

The total number of assistance commitments outstanding right now is about 5.6 million. On page 11, there is a table that shows how this breaks down between rental and home ownership assistance. There are about 4.3 million renters and about 1.3 million owners being helped.

Just to take my last moment to say something about what appeared to have created some confusion earlier—the figure that the administration had that showed the $240 billion of outstanding housing debt, declining to $190 billion. It is my understanding—this is sort of seat of the pants analysis—that the decline they show of about $30 billion over that 2-year period represents an administration proposal basically to forgive debt that the Federal Government owes itself. That is to say, the number of commitments outstanding would remain the same; it is debt associated with the financing of public housing they are proposing to change.

In one sense it would reduce the amount that the Federal Government will spend. But, the money that would otherwise be spent, if their proposal is not adopted, would be spent out of one fund of the Federal Government into another fund to pay off loans that are used to finance public housing.

The last general point I would like to make concerns the thinking about the rate at which one expands the pool of available housing assistance each year. This is the key budget decision each year—in essence how that bar on figure 1 should be. The administration is basically proposing zero.

Clearly, there is a tradeoff between the cost of making new commitments and the share of the eligible population served. The cost of assisting about another 100,000 people a year under HUD programs, for example, would be about $11 billion in budget authority immediately, and about $1.3 billion in outlays over a 5-year period. On the other side of that, of course, is the fact that the programs currently serve only a minority of all those eligible.

Rental assistance commitments financed to date are expected to serve about a third of all very low income renters, and federally subsidized mortagages aid only about 1 in 10 of all low and moderate income home buyers.

The remainder of my prepared remarks deals with options for additional funding and for various types of assistance—new construction versus existing housing or repair assistance, and tradeoffs between tax expenditures and direct expenditures.

[The prepared statement of Mr. Levine follows:]

Prepared Statement of Martin D. Levine, Deputy Assistant Director for Education, Employment, Housing and Community Development, Congressional Budget Office

Over the past decade, the federal government has greatly expanded the availability of housing assistance for low-income renters and homeowners—doubling the number of households receiving aid under programs administered by the Department of Housing and Urban Development (HUD) and the Farmers Home Administration (FmHA). In its 1986 budget submission, the Administration is proposing to make no additional assistance commitments under the FmHA programs and to adopt a two-year moratorium on new commitments under HUD programs. A large share of the recent growth is assisted housing has benefited older Americans, and any pause in that growth would also affect them.

I am pleased to be here today to provide background information on the housing problems of the elderly as your Committee considers the Administration's proposal and alternatives to it. My remarks will cover three topics: The income and housing circumstances of the elderly; the nature of federal housing assistance, including benefits provided through the tax system; and housing policy options available to the Congress.

THE INCOME POSITION AND HOUSING CIRCUMSTANCES OF THE ELDERLY

Over the past several decades, the income and housing circumstances of the elderly have improved dramatically—in part as the result of federal transfer programs. Nenetheless, large numbers of older people are still poor, and a sizable share of them either live in physically deficient dwellings or pay a large portion of their income for shelter.

Long-term trends

By most measures, the income position of older Americans has improved greatly during the past quarter century. For example, between 1960 and 1983, the proportion of all families headed by someone aged 65 or older who were classified as poor declined from 27 percent to 9 percent, and the share of elderly unrelated individuals living in poverty fell from two-thrids to about one-fourth. Much of this improvement can be attributed to the widening availability of Social Security and Supplemental Security Income (SSI) payments, and to the increase in average benefits. Between 1960 and 1983, the proportion of elderly people receiving either Social Security or SSI increased from 72 percent to 96 percent, and the average benefit nearly doubled in constant dollar terms. During this period, the government also greatly increased the in-kind incomes of the elderly through the creation of the Medicare program.

Not surprisingly, older people have used some of their increased cash incomes to improve their housing circumstances. More old people than ever live away from their children or other relatives—a long-standing preference for most elderly. Between 1960 and 1984, for example, the share of all people aged 65 and older who lived independent of their relatives increased from about 60 percent to approximately 78 percent. Also, the proportion of all households living in physically deficient units declined. Between 1960 and 1983, for example, the share of all households living in units lacking complete plumbing facilities fell from 15 percent to less than 2 percent. (Comparable data are not readily available for elderly-headed households alone.)

Current circumstances

Despite these improvements, a large number of elderly people remain in or near poverty, and a large share of them face housing problems.

As of 1983, 14 percent of all people aged 62 years and older—the cutoff for being considered elderly under must housing assistance programs—had cash incomes below the official poverty thresholds. An additional 16 percent had incomes no more than 50 percent above the poverty line. Poverty is especially prevalent among the elderly who live alone or with other people not related to them. As of 1983, one-half of such people had cash incomes no greater than 50 percent above the poverty line (see Table 1).

TABLE 1.—POVERTY STATUS OF PERSONS AGED 62 AND OLDER, BY LIVING ARRANGEMENT, 1983

Income as a percent of poverty [1]	Living alone	Living with spouse	Living with other than spouse		Total
			With relative	Unrelated individuals	
Persons in thousands:					
Below poverty	2,356	1,232	347	233	4,168
100 to 150 percent	2,227	1,987	348	170	4,732
150 to 200 percent	1,257	2,503	282	84	4,126
200 percent or more	3,305	12,827	1,134	184	17,451
Total	9,146	18,549	2,110	673	30,478
Percent of all elderly in same living arrangements:					
Below poverty	26	7	16	35	14
100 to 150 percent	24	11	16	25	16
150 to 200 percent	14	13	13	12	14
200 percent or more	36	69	54	27	57
Total	100	100	100	100	100

[1] Classification is according to the Bureau of the Census definition of poverty. People age 65 or older who were living alone or with people unrelated to them are classified as poor if they had cash incomes in 1983 below $4,775. For individuals less than 65 years old living outside of a family unit, the poverty threshold was $5,180. The threshold for two-person families are $6,023 if the head is age 65 or over, and $6.697 if the head is younger. Thresholds for larger families vary from $7,938 for three-person families to $20,310 for nine or more persons, regardless of the age of the household head.

Source: Congressional Budget Office tabulations of the 1984 Current Population Survey.

TABLE 2.—HOUSING CONDITIONS OF HOUSEHOLDS HEADED BY A PERSON AGED 62 YEARS OR OLDER, BY INCOME AND TYPE OF HOUSING, 1981

	Income [1]			Total
	Very low income	Low income	Other	
Renters (thousands of households):				
Living in housing requiring rehabilitation [2]	530	90	100	730
Housing costs exceed: [3]				
30 percent of income	1,660	400	80	2,140
50 percent of income	830	70	20	920
Percent of all households in category:				
Living in housing requiring rehabilitation [2]	16	9	10	14

TABLE 2.—HOUSING CONDITIONS OF HOUSEHOLDS HEADED BY A PERSON AGED 62 YEARS OR OLDER, BY INCOME AND TYPE OF HOUSING, 1981—Continued

	Income [1]			Total
	Very low income	Low income	Other	
Housing costs exceed: [3]				
30 percent of income	54	40	9	43
50 percent of income	27	7	2	18
Homeowners (thousands of households).				
Living in housing requiring rehabilitation [2]	510	90	120	720
Housing costs exceed: [4]				
30 percent of income	1,460	240	120	1,820
50 percent of income	450	20	20	490
Percent of all households in category: [5]				
Living in housing requiring rehabilitation [4]	9	3	2	5
Housing costs exceed: [3]				
30 percent of income	39	9	3	17
50 percent of income	12	1	0	5

[1] Income classification corresponds to definition in housing assistance programs. Very low income households are those with family incomes ranging from 35 percent of the area median for a one-person household to 66 percent of the area median for a household with eight or more members. (For a four-person household, the threshold is 50 percent of area median.) Low-income designation ranges from 56 percent of area median for a one-person household to 100 percent of area median for a household with eight or more members. (For a four-person household, the threshold is 80 percent.)

[2] Units in need of rehabilitation are defined here as those lacking complete plumbing or kitchen facilities, or with two or more of 11 different structural defects.

[3] Housing costs for renters include rent payments due the landlord plus utility costs not included in the rent payment.

[4] Housing costs for homeowners include mortgage payments, real estate taxes, property insurance, and utilities. Housing costs are not reported for homes on 10 or more acres, or with a business on the property.

[5] Calculated as a percent of households for which data are available.

Source: Congressional Budget Office tabulations of the 1981 annual housing survey.

Housing problems often accompany the limited incomes of the elderly. As of 1981 (the latest year for which data are available), 16 percent of all elderly renters and 9 percent of all elderly homeowners classified as very-low-income for the purpose of qualifying for housing aid were living in dwellings judged to be in need of rehabilitation (see Table 2). As of the same year, close to one-half of all very-low-income elderly households were paying more than 30 percent of their income for shelter, and nearly one in five were paying more than 50 percent of their income for housing. Overall, as of 1981, 2.2 million elderly-headed households with incomes below or near the poverty line either were living in units requiring rehabilitation, were paying more than one-half their income for shelter, or experienced both conditions.

FEDERAL HOUSING PROGRAMS SERVING THE ELDERLY

The federal government provides housing assistance to the elderly mainly through a combination of housing-related provisions of the tax code and direct spending programs that also benefit nonelderly households. Housing-related tax provisions provide by far the largest source of aid. This assistance is available on an entitlement basis and benefits principally middle- and upper-income homeowners. By contrast, direct spending programs are targeted on low-income households, but that aid is available to well less than half of those people with incomes low enough to qualify.

Housing-related tax benefits

Several sections of the federal tax code either reduce the after-tax costs of homeownership or lower the capital-gains liability of people who sell their homes for a profit. (See accompanying table). Together, these tax expenditures are expected to amount to approximately $40 billion this year. Two provisions alone—the deductibility of mortgage-interest and property-tax expenses from taxable income—are expected to account for more than $30 billion in foregone revenue. As of last year, 35 percent of the tax expenditure resulting from these provisions benefited persons with 1982 incomes greater than $50,000; only 7 percent aided homeowners with incomes less than $20,000.

Major housing-related tax expenditures

Provision	*Estimated revenue loss: 1985 (billions of dollars)*
Owner-occupied housing:	
Deductibility of mortgage interest on owner-occupied homes	25.5
Deductibility of property tax on owner-occupied homes	9.6
Deferral of capital gains on home sales	5.6
Exclusion of capital gains on home sales for persons age 55 and older	1.9
Exclusion of interest on State and local government housing bonds for owner-occupied housing	1.8
Rental housing:	
Accelerated depreciation	0.9
Exclusion of interest on State and local government housing bonds for rental housing	1.4
Five-year amortization of rehabilitation expenses for low-income rental housing	0.1

Source: Joint Committee on Taxation.

Elderly homeowners take these deductions less often than nonelderly ones; however, these tax provisions helped many older people become homeowners when they were younger. Also, a number of tax provisions benefit the elderly by shielding from taxation some or all of the gain they realize on the sale of their homes late in life.

Tax subsidies for rental housing accrue to the property owners, but some or all of the tax savings may eventually be passed through to tenants in the form of reduced rents. All rental housing tax expenditures together are expected to result in revenue losses of just over $2 billion this year. This amounts to less than $100 per rental unit compared with about $700 in foregone revenues per owner-occupied dwelling for the major homeownership tax provisions. Elderly and nonelderly tenants alike benefit from rental housing tax expenditures to the extent that the benefits are passed through to the occupants of a building.

Direct spending programs

In contrast to tax provisions, direct spending for housing is highly targeted on the low-income population. Its availability, however, is limited by annual appropriations.

Current programs.—The largest direct spending programs are the rental assistance programs administered by HUD (Section 8, Section 202, and public housing), and reduced-interest mortgages provided by the FMHA for rural residents buying their own homes and for developers of rental housing projects (the Section 502 and Section 515 programs, respectively). In addition, each year, the federal government helps pay for repairs to a small number of units that require rehabilitation. Most rehabilitation aid is provided indirectly through Community Development Block Grants to cities and through a recently enacted rental housing rehabilitation block grant. (See accompanying table.)

MAJOR RENTAL AND HOMEOWNERSHIP ASSISTANCE PROGRAMS

	Number of commitments outstanding through fiscal year 1985 [1] (in thousands)	Estimated number available to elderly and handicapped (in thousands)	Elderly and handicapped as proportion of total
Rental assistance:			
Section 8 new construction [2]	820	558	.68
Section 8 existing-housing/vouchers	1,387	541	.39
Public housing	1,396	628	.45
Section 515 rural rental assistance [3]	355	181	.51
Other [4]	365	92	.25
Total	4,323	2,000	.46
Homeownership assistance:			
Section 502 rural housing loans	1,051	32	.03
Section 235 assistance	205	33	.16

MAJOR RENTAL AND HOMEOWNERSHIP ASSISTANCE PROGRAMS—Continued

	Number of commitments outstanding through fiscal year 1985 [1] (in thousands)	Estimated number available to elderly and handicapped (in thousands)	Elderly and handicapped as proportion of total
Total	1,256	65	.05

[1] Includes units in the processing pipeline but not yet occupied.

[2] Includes substantial rehabilitation. Some of these units are in projects financed with section 202 loans and set aside for the elderly and handicapped.

[3] Units also receiving section 8 rent subsidies are excluded to avoid doublecounting.

[4] Includes largely inactive mortgage-interest-subsidy programs and rent supplement program. Adjusted to avoid double counting households also receiving other subsidies.

Source: Information provided by the Department of Housing and Urban Development and the Farmers Home Administration.

The elderly apparently receive a disproportionately large share of all rental assistance. About 46 percent of subsidized rental units are expected to be available to the elderly or handicapped (who are classified with the elderly in information reporting systems). By way of comparison, the elderly alone make up about one-third of all eligible renters. Older people hold 5 percent of all subsidized home mortgages—about equal to the proportion of all homebuyers in any year who are elderly.

Recent funding trends.—All of the major housing programs are funded through long-term assistance contracts. Each year, the Congress appropriates funds to pay for some number of additional assistance commitments that run for anywhere from 5 years to 50 years. These additional commitments expand the pool of available aid and increases the share of the eligible population that can be served, but they also contribute to federal outlays for decades to come.

Large numbers of assistance commitments have been made during each of the last 10 years (see Figures 1 and 2). Between 1976 and 1985, about 2.4 million new rental assistance commitments will have been made, and about 900,000 new subsidized mortgages will have been provided for homebuyers. Although the annual assistance increment declined during that period, the total number of commitments outstanding will grow from about 2.2 million to 5.6 million, and annual federal expenditures for housing will more than double in real terms to an estimated $13.3 billion this year.

FIGURE 1. NET ADDITIONAL HOUSING ASSISTANCE COMMITMENTS FINANCED PER YEAR (in thousands)

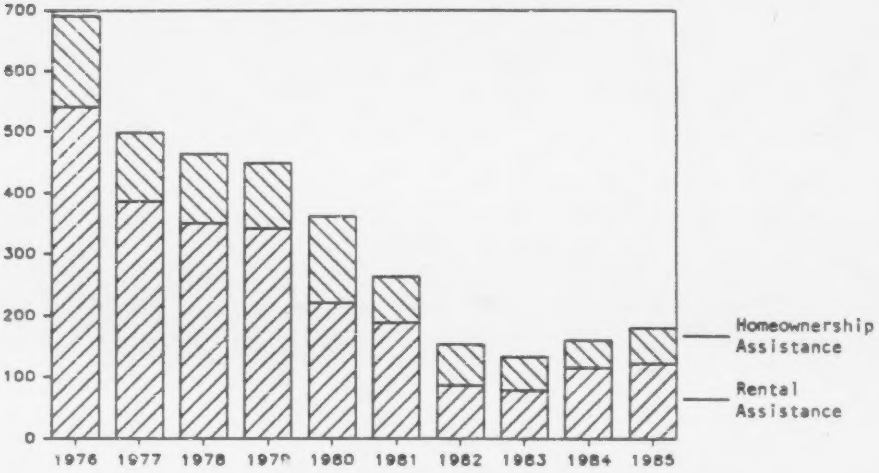
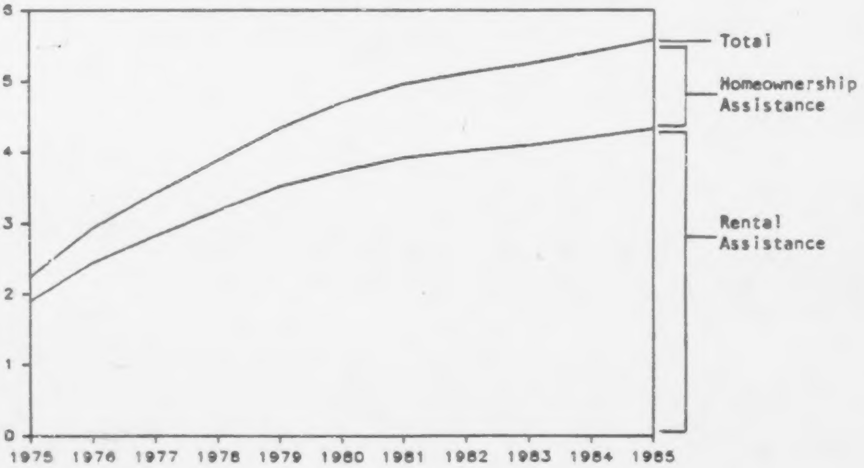


FIGURE 2. NUMBER OF HOUSING ASSISTANCE COMMITMENTS OUTSTANDING AT END OF YEAR (in Millions)



Despite these increases, the rental assistance commitments financed to date are expected to be sufficient to serve only about one-third of all very-low-income renters but a larger share of very-low-income elderly renters. Federally subsidized mortgages aid only about one in ten of all low- and moderate-income homebuyers in any year.

ISSUE AND OPTIONS

Each year, the Congress faces two broad issues concerning the funding of housing assistance: How many additional households to aid, if any; and what type of assistance to provide.

How much additional assistance to provide

The question of how many additional households to assist in any given year involves a tradeoff program coverage and costs.

The Administration's 1986 budget contends that recent increases in assistance and general budgetary stringency warrant terminating the FmHA's housing programs and imposing a two-year moratorium on new commitments under HUD's programs. Because assistance commitments made in recent years are still working their way through the processing pipeline, under the Administration's plan, the number of households actually receiving aid would continue to grow slightly for a year or two; however, the share of the eligible population that would be served would eventually decline.

If the Congress chose instead to continue to expand assistance, several benchmarks could be used to determine how many additional households to serve. For example, the Congress could establish budget authority and lending limits in 1986 at the 1985 levels adjusted for inflation. This action could aid about 100,000 additional households under HUD programs and 83,000 new households through FmHA loans. Alternatively, the Congress could aid just enough additional households to keep the share of the eligible population served constant. This would involve assisting between 56,000 and 72,000 new households under HUD programs and aiding between 20,000 and 25,000 additional households through FmHA loans. These options would require up to $11.2 billion in additional long-term budget authority for HUD programs and $3.4 billion in additional FmHA lending. The new commitments would add up to $5 billion in outlays between 1986 and 1990. (See Table 3.)

TABLE 3.—HOUSING ASSISTANCE FUNDING OPTIONS, FISCAL YEAR 1986

[Dollars in billions]

	Administration proposal	1985 funding adjusted for inflation	Funding sufficient to serve constant proportion of eligible population [1]
HUD programs:			
Additional households assisted (in thousands) [2]	0	100	56–72
Appropriation required, 1986	$0.5	$11.2	$9.1–$9.9
Additional outlays, 1986–90 [3]	0	$1.3	$.7–$.9
FmHA programs:			
Additional households assisted (in thousands)	0	83	20–25
Lending authority required, 1986	([4])	$3.4	$.9–$1.1
Additional outlays, 1986–90 [3]	0	[5] $3.8	[5] $1.0–$1.3

[1] Estimated number of additional households who would have to be assigned in 1986 to maintain the ratio of outstanding commitments to the eligible population constant at 1985 level.

[2] Excludes dwelling units already assisted under other programs.

[3] Outlays resulting from net additional households assisted in 1986.

[4] Less than $50 million.

[5] Includes both on- and off-budget outlays.

Source: Congressional Budget Office estimates.

What type of assistance to provide

The second recurring issue concerns what type of assistance to provide—that is, what housing problems to address and how.

At a minimum, this involves deciding what the mix should be among the major existing programs. If, for example, the Congress determined to focus on increasing the supply of physically standard units available to low-income renters, it could finance the construction of additional public housing projects or provide additional FmHA rental housing construction loans. Similarly, if the Congress chose to focus on reducing high housing-cost burdens, it might fund additional Section 8 existing-housing assistance or housing vouchers. Because rents in existing dwellings are lower than in newly built projects, the latter approach would make it possible to aid more households at the same cost to the federal government. (In recent years, the program mix has shifted heavily towards subsidizing rents for people living in existing units. Because the elderly constitute a relatively small proportion of those served through existing housing, at the same time that the Congress has shifted the overall emphasis toward existing housing, it has reserved for the elderly a disproportionately large share of the remaining newly built projects.)

A different approach would be to attempt to fill gaps in the coverage of current programs. For example, the Congress might choose to apply additional resources to subsidizing repairs for low-income homeowners. Specific options include: increasing funding for Community Development Block Grants, perhaps with a set-aside for housing rehabilitation; increasing the appropriation for rural housing repair grants; reviving the largely inactive Section 312 rehabilitation loan program; and making homeowners eligible for subsidies under the Section 8 existing-housing program. Because the elderly constitute about one-half of all low-income homeowners living in units that require rehabilitation, a large share of the beneficiaries of any funding increase would be older people.

Finally, the Congress could consider more far-reaching reallocations of available housing assistance. For example, the Congress could choose to limit housing-related tax expenditures and use some or all of the additional revenues to finance additional aid under direct spending programs. Because direct spending programs are much more highly targeted on low-income people, such a change would shift aid from more well-to-do people toward those with fewer resources to pay for their housing.

One specific option for curtailing tax expenditures would be to place a limit on mortgage-interest deductions for higher-income homeowners. This could be done independently or as part of a base-broadening tax simplification scheme that would reduce marginal tax rates for everyone. Another approach would be to impose a transaction tax on the sale of homes that are sold for a profit. This would recoup some of the revenue lost under current tax provisions that allow homeowners to defer, and often escape entirely, capital-gains taxation on their homes. While any such change could generate a substantial amount of additional revenue, it would also reduce one important existing encouragement for homeownership.

CONCLUSION

Despite large increases in housing assistance over the past 10 years, only a small proportion of the eligible population receives aid. In determining whether—and, if so, how—to further expand assistance, the Congress faces difficult tradeoffs between program coverage and costs, and among competing housing policy objectives.

Mr. BONKER. Thank you, Mr. Levine. We will come back with questions in a moment.

Mr. Wilson.

STATEMENT OF HAROLD O. WILSON, EXECUTIVE DIRECTOR, HOUSING ASSISTANCE COUNCIL

Mr. WILSON. Thank you very much, Mr. Chairman. We appreciate the opportunity to appear before your committee, and we appreciate your concern about the elimination of the Farmers Home Administration programs and its effect on the elderly in poor and rural communities.

I would like to ask that our complete testimony be submitted for the record, if you would, along with two other pieces. They contain a lot of statistical information. One is the case for Farmers Home rental housing community facility and farm programs. It makes a statistical case for keeping those programs; shows the impact that elimination would have. The other is a piece done by the Housing Assistance Council entitled, "Taking Stock." That is a look at the 1980 census and what happened to the poor relative to housing, employment and some other characteristics during the decade of the 1970s in this country. A lot of the statistical data in it we think the committee will find helpful, if you do not mind including it in the record.

Mr. BONKER. The subcommittee will accept the documents. I am not sure we will have all of them printed in the record; they are rather voluminous, but we will certainly take the summary information for purposes of our record.

Mr. WILSON. Thank you very much.

Mr. Chairman, since the time is short, what I would like to do would be to perhaps respond to some of the things that I heard today and maybe summarize my remarks by mentioning that I think that the budget proposals of the present Administration will have a disastrous effect on rural communities in particularly three ways.

One, the budget would call for the virtual elimination of the Farmers Home Administration programs. As you know, the budget numbers are basically zeros in the proposal. They then call for a 2-year moratorium on the programs and then a transfer of Farmers Home's responsibility and authority to the Department of Housing and Urban Development.

The concern that we have with that is that for the past 35 years, the Farmers Home Administration and predecessor agencies have been developing programs tailored to the needs and the concerns of rural communities and their housing needs.

What this budget would do would be to eliminate those programs; the 502 single family program would be gone; the 515 multifamily program would be gone; the 504 program of grants and loans for the elderly would be gone as well as many of the other Farmers Home programs. The responsibility for rural housing would be transferred to the Department of Housing and Urban Development. HUD would then attempt to serve the constituency that was served by Farmers Home with a voucher program, which is simply a rental program for existing units.

Our concern first of all is that there are simply not enough rental units available in rural communities for the voucher program to have a significant effect. The needs of rural communities are much vaster and more complex than can be met with one simple program of vouchers.

In addition to that, we are concerned that the Farmers Home delivery system, in fact, the whole rural delivery mechanism that has been built up over the years, would be eliminated.

That delivery system, as you rightly pointed out earlier, is composed of Farmers Home county offices spread across the country. I don't see how there can be any justification for keeping that number of offices when all the programs have been taken away. So, those offices we feel would go.

In many rural communities, as you are aware, housing authorities simply do not exist to serve those communities. So, there will in fact be no place for rural people to go to have their needs met.

In addition to that, over the years we have developed and built up a rural housing, nonprofit delivery network that has used the Farmers Home Administration programs and made them effective.

With no programs to use, this nonprofit rural delivery network that works in remote rural communities and in hard to serve rural communities would simply disappear. So, that hard built network would go.

In addition to that, there are a large number of rural builders who use the Farmers Home Administration programs. They provide their livelihood. That private builder network we feel would go.

We are greatly concerned about this issue. The feeling is that if this administration budget goes through as projected, the delivery network composed of those three basic ingredients I have mentioned would disappear and rural communities would be left with no resources and no place to turn to assuage their needs.

Not only would there be the elimination of the Farmers Home programs, but they talk about transferring the programs to the Department of Housing and Urban Development. The Department of Housing and Urban Development has neither the structure itself nor the programs to meet the needs of rural communities.

Ms. Hale mentioned earlier that they would work through local housing authorities with the voucher program. That network in many instances in rural communities simply does not exist. It is not there.

The Department of Housing and Urban Development also is an urban-oriented institution. Again, I would like to mention that rural communities have specific unique rural needs that need to be met by rural designed programs.

The final point I would like to make, Mr. Chairman, out of what I have heard is that the result of all of this will simply be that the rural elderly, the rural poor will not be served.

There are over 2.1 million occupied rural housing units that are substandard across this country, many of them inhabited by elderly families and elderly residents. The present budget would simply eliminate service to these families and would offer the possibility of no hope for them in the future.

Again, we appreciate the opportunity to appear before your committee and will be happy to answer any questions that you might have.

Thank you very much.

Mr. **BONKER**. Thank you, Mr. Wilson. You have made some very eloquent points.

[The prepared statement of Mr. Wilson follows:]

PREPARED STATEMENT OF HAROLD O. WILSON, EXECUTIVE DIRECTOR, HOUSING ASSISTANCE COUNCIL

As Executive Director of the Housing Assistance Council (HAC), I am pleased to testify on the potential impact on the rural elderly of proposed cuts in the Farmers Home Administration (FmHA) housing programs.

HAC has worked extensively with housing projects for the rural elderly, and is convinced that such cuts would eliminate a vital source of assistance for one of the poorest rural populations.

First, the rural elderly have one of the highest poverty rates of all groups: 20% in 1980, and as high as 39% for the rural elderly living alone. Although rural data are not available, this rate has no doubt increased along with the dramatic climb in nonmetro poverty since that year.

Second, the rural elderly are more likely than younger households or than the urban elderly to live in housing which is dilapidated and without basic amenities.

There are over 300,000 elderly households living in rural housing lacking plumbing, and 1.7 million lacking central heating.

Unfortunately, their problems are hidden from view in the picturesque landscape of rural America.

In city and suburb, most of the elderly living alone are congregated in apartment complexes, often tailored to their needs. In rural areas, however, the reverse is true: two thirds of the elderly living alone own their homes. They live apart, on farms, in trailers, up hollows, down dirt roads.

It is easy to dismiss the old couple in their rocking chairs on the porch of a rural shack as either a quaint cliche or as a temporary anachronism which will inevitably disappear with the passage of time. Unlike the elderly of the city, they are too isloated to meet with others in like condition, or to organize on their own behalf. More than half the rural elderly poor live alone; 850,000 elderly householders have no vehicle; and 350,000 have no telephone. Tenant associations, a major urban organizing tool, are largely lacking in rural areas.

Housing opportunities are limited for the elderly who would move into or near town, closer to transportation, health, food services, and other people. Rental, congregate, and institutional facilities are in short supply in rural areas. Even where these options are available they often represent the housing of least preference for many of the rural elderly. Although their homes may be dilapidated, they own them "free and clear," and appear to be inextricably attached to their land.

The question which should be answered, before the few rural housing programs which address the unique needs of the rural elderly are modified, eliminated, or replaced, is what are the most effective, least costly approaches to improving their living conditions?

For example, given their homeowner status and their relative isolation and immobility, it is difficult if not impossible to conceive of the rural elderly making significant use of vouchers. They need housing rehabilitation assistance, or new rental or congregate units in their home communities. They need the FmHA programs, particularly the Section 504 grants and loans for home repair and the Section 515 rental programs, which have already improved the living conditions of many rural elderly households.

The Section 504 program finances repairs for very low-income rural homeowners to enable them to eliminate or reduce health and safety hazards. Loans and grants are only made available to those without other recourse for addressing severe housing needs. Under Section 504, FmHA has made more than 70,100 loans and 48,300 grants through FY 1984. The average age of recipients was 57.7 in 1983. Grants are exclusively available to those 62 years or older.

The FmHA Section 515 rental program provides newly constructed affordable housing. It does so through the use of 50 year mortgages at 1% interest and a limited supply of rental assistance subsidy. The emphasis on new construction is due to the lack of suitable rural rental housing and to the special design needs of the elderly. Financing of congregate units is available, but has been limited by a lack of necessary operating funds from other sources.

Section 515 rural rental housing began as a senior citizens' rental program in 1963. While the program was broadened to include families, it has maintained a sharp elderly focus. FmHA officials have estimated that approximately 35% of the 330,000 units produced since 1963 have been for exclusive use by the elderly. During the past four years the administration has prioritized elderly projects and estimates for senior citizen participation run much higher.

In addition to the type of housing assistance provided by FmHA, its structure has advantages critical to serving the aged in rural areas. A HUD network of ten regional and state offices based in metropolitan areas is not equipped to reach the feeble old man or woman down a back road, who could, however, drop in on one of 1937 county FmHA supervisors on the next trip into town and talk about the need for a bathroom, for weatherization, or a new roof.

To sum up, the rural elderly are largely poor, poorly housed, and isolated. The FmHA housing programs constitute one of the few resources which are both accessible to them and equipped to meet their homeownership and rental needs. It is absurd to consider supplanting such assistance with vouchers administered by an urban-oriented, centralized federal agency. We are convinced that to eliminate the Section 504 and Section 515 programs would be tantamount not only to removing the last significant housing recourse of the rural elderly in poor shelter, but also to relegating their plight to oblivion. Even more than they were when the President's Commission on Rural Poverty made its report in 1967, the rural elderly would then be America's "People Left Behind".

CENSUS COMPARISONS OF THE URBAN AND RURAL POVERTY POPULATIONS IN 1979

	Urban		Rural		Rural percent of nation
	Number in poverty	Poverty rate	Number in poverty	Poverty rate	
Poverty-level persons	19,671,307	12.1	7,721,273	13.2	28.2
White	11,378,068	8.7	5,953,603	11.0	34.3
Black	6,288,057	28.7	1,360,547	36.4	17.8
Hispanic	2,990,788	23.2	380,346	26.6	11.3
American Indian (Eskimo and Aleut)	178,811	22.6	229,256	33.1	56.1
65 years or older	2,338,303	13.0	1,243,426	19.9	34.5
White	1,741,946	10.9	1,032,559	17.8	37.2
Black	515,687	32.3	184,902	47.3	26.4
Hispanic	142,664	24.5	25,106	34.3	15.0
American Indian	8,974	24.5	15,484	39.0	63.3
Children under 18	7,199,152	16.2	2,826,471	15.6	28.2
White	3,431,906	10.2	2,035,737	12.6	37.2
Black	2,875,557	36.9	603,097	42.6	17.3
Hispanic	1,421,667	28.9	180,391	30.3	11.2
American Indian	74,247	27.3	107,813	37.3	37.3
Poverty-level families	3,960,944	9.2	1,709,271	10.6	30.1
White	2,203,405	6.2	1,363,274	9.1	9.0
Black	1,345,980	25.6	269,972	32.0	16.9
Hispanic	624,836	21.1	71,084	23.0	10.2
American Indian	37,073	19.5	44,005	29.2	29.1
Householder worked [1]	1,907,045	48.1	953,621	55.8	33.3
W/public assistance [1]	1,441,420	36.4	399,410	23.4	21.7
Female-headed	2,064,419	30.2	419,827	30.9	16.8
White	943,458	21.4	281,977	25.8	23.0
Black	935,849	45.7	115,667	52.1	11.0
Hispanic	291,409	48.2	15,067	47.4	4.9
American Indian	20,370	43.3	15,519	51.0	43.2
W/children (18–)	1,865,733	40.3	356,706	40.5	16.1
White	835,188	31.3	236,698	35.0	22.0
Black	858,729	52.0	100,356	59.4	10.5
Hispanic	270,011	56.4	13,019	54.0	4.6
American Indian	19,048	49.3	13,759	55.6	41.9
W/children (6–)	1,014,765	55.8	170,549	54.5	14.4
Householder worked [2]	828,998	40.2	183,700	43.8	18.1
Poverty-level unrelated individuals	5,442,506	23.8	1,418,076	31.3	20.7
White	4,036,948	21.2	1,201,384	29.1	22.9
Black	1,076,496	37.9	164,271	57.7	13.2
Hispanic	397,135	35.0	46,583	47.3	10.5
American Indian	40,205	34.8	22,529	48.5	35.9
Elderly (over 65)	1,594,546	26.5	657,264	38.8	29.2
W/public assistance	834,589	15.3	270,979	19.1	24.5
Poverty-level households	7,525,401	12.4	2,770,624	14.0	26.9
In substandard units	984,468		608,655		38.2
White	413,749		377,464		47.7
Black	387,624		183,872		32.1
Hispanic	263,034		39,904		13.2

CENSUS COMPARISONS OF THE URBAN AND RURAL POVERTY POPULATIONS IN 1979—Continued

	Urban		Rural		Rural percent of nation
	Number in poverty	Poverty rate	Number in poverty	Poverty rate	
American Indian	NA		NA		

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[1] Percent of poverty-level families.
[2] Percent of female-headed poverty households.
[3] Percent of poverty-level individuals.

Sources: 1980 Census of Population, "General Social and Economic Characteristics," and "Detailed Housing Characteristics."

Note.—National Total for American Indians, Eskimos, and Aleuts = 41,225; for Asian and Pacific Islanders = 47,796; and for unknown = 141,393.

States Ranked by Rural Demographic Indicators

RANK	RURAL POPULATION	RURAL POVERTY	RURAL POVERTY RATE	LOWEST AFDC MO. PAYMENT† (FAM/4)	HIGHEST AFDC MO. PAYMENT† (FAM/4)
1	Pa 3,643,044	NC 453,356	Ms 26.4%	Ms $120	Ak $634
2	NC 3,058,914	Tx 443,924	NM 23.9%	Tx 141	Ca 601
3	Tx 2,896,174	Ky 374,005	SD 21.7%	Ar 142	Vt 581
4	Oh 2,879,371	Ms 344,522	Az 21.4%	Al 148	Wi 563
5	Mi 2,710,527	Ga 342,841	Ky 21.4%	Tn 148	Ha 546
6	NY 2,700,004	Al 312,797	Al 20.2%	SC 163	Mn 520
7	Ca 2,060,296	Tn 308,613	Ar 20.1%	NC 210	Wa 515
8	Ga 2,054,024	Pa 303,871	La 19.5%	Ga 216	NY 515
9	In 1,964,926	SC 257,161	SC 18.2%	Fl 230	Mi 508
10	Il 1,908,479	NY 253,876	Tn 18.2%	La 234	Ct 501
11	Tn 1,817,547	La 252,401	Ga 16.9%	Ky 235	Ma 445
12	Va 1,817,395	Va 243,411	Ak 16.4%	Az 244	Ut 438
13	Ky 1,795,594	Oh 241,276	WV 16.4%	WV 249	Nb 420
14	Wi 1,685,035	Mi 240,128	ND 16.1%	NM 281	RI 420
15	Mo 1,567,098	Fl 239,291	Fl 16.0%	Va 283	Io 419
16	Al 1,556,174	Ca 224,191	Tx 15.6%	Mo 290	NJ 414
17	Fl 1,533,939	Mo 223,904	Ok 15.2%	De 312	Or 409
18	SC 1,432,567	Ar 220,466	NC 15.0%	Nv 314	ND 408
19	Mn 1,350,768	WV 202,154	Mo 14.5%	In 315	Pa 395
20	Ms 1,327,833	Mn 169,483	Mt 14.0%	Oh 319	NH 392

RANK	RURAL SHELTER POVERTY*	PERCENT OCCUPIED RURAL UNITS	LOWEST AFDC SHELTER PAYMENT AS % FMR**	HIGHEST AFDC SHELTER PAYMENT AS % FMR**	OCCUPIED RURAL MOBILE HOMES	RURAL MOBILE HOMES AS % OF OCC. UNITS
1	Ky 46,723	NM 9.69%	Ms 12%	Id 77%	NC 157,871	Nv 26.8%
2	NC 44,852	Ak 9.45	Tx 13	Vt 68	Fl 131,223	Wy 25.9%
3	Tx 39,326	Ms 8.87	Tn 15	Ha 64	Tx 127,638	Fl 24.2%
4	Ms 37,097	Az 8.82	Al 16	NY 63	Pa 123,128	Az 24.2%
5	Ga 32,695	Ky 7.87	SC 16	Wa 58	Ga 105,017	NM 22.3%
6	Tn 32,566	Al 6.26	Ar 17	SC 54	Ca 99,288	De 18.3%
7	Al 32,241	SC 5.58	NC 19	Wi 50	NY 88,652	Mt 17.8%
8	Va 30,636	Ar 5.42	Ga 20	Ka 47	Oh 84,887	Or 17.4%
9	SC 25,376	Tn 5.29	Az 21	Mi 45	Mi 80,791	Id 16.1%
10	WV 21,199	WV 5.10	Ca 21	Ut 44	Ky 79,175	Ga 15.7%
11	La 20,703	Va 5.06	Fl 23	Mn 42	Al 75,435	SC 15.5%
12	Ar 20,669	La 4.96	La 24	Nb 42	SC 72,575	NC 15.2%
13	Oh 16,830	Ga 4.88	Va 24	Ct 41	Tn 67,525	WV 15.0%
14	Pa 16,448	NC 4.32	Il 25	Ak 40	Va 63,886	La 14.6%
15	Fl 14,850	Ma 4.07	WV 25	ND 40	WV 62,286	Al 14.6%
16	Ca 13,188	Tx 4.03	De 27	RI 40	La 60,958	Wa 14.3%
17	Az 11,963	Oh 3.92	Ky 27	Io 39	Mo 60,176	Ca 14.2%
18	NM 10,842	Me 3.24	Md 28	Ok 39	In 59,696	Co 13.7%
19	Mi 10,302	SD 3.08	Mo 28	Or 38	Wa 54,277	Ky 13.3%
20	NY 10,054	Mn 2.89	Nv 30	Me, NH, NH 35	Or 50,925	Tx 13.1%

† AFDC = Aid to Families With Dependent Children.
* Shelter poverty = poverty-level households in substandard housing.
** FMR = Fair Market Rent; Shelter Rent = 30% AFDC payment, except for states which have a separate shelter allowance established.

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States Ranked by Rural Demographic Indicators

RANK	RURAL POVERTY FAMILIES	RURAL FAMILY POVERTY RATE	RURAL F-HEADED POVERTY FAMILIES	(WITH CHILDREN)	RURAL POV. FAMILIES ON PUBLIC ASSISTANCE	RURAL POOR WORKING HHLD HEADS
1	NC 103,377	Ms 21.0%	NC 30,240	NC 24,420	Ky 25,520	NC 56,398
2	Tx 97,449	NM 19.9%	Ga 21,130	Ms 17,708	Ms 25,107	TX 55,226
3	Ky 89,820	Ky 18.0%	Ms 20,513	Ga 17,550	NC 24,968	Ky 44,710
4	Ga 76,334	SD 17.6%	SC 19,019	SC 16,010	Ga 20,825	Ga 40,593
5	Tn 74,185	Al 16.5%	Al 18,577	Al 15,379	Al 20,693	Tn 37,808
6	Ms 71,744	Ar 16.5%	Tx 18,304	Pa 15,154	Tx 19,655	Ms 35,867
7	Al 70,304	La 16.3%	Ky 17,689	Tx 14,994	Tn 18,595	Pa 35,803
8	Pa 64,471	Az 16.2%	Pa 17,666	Mi 14,838	La 17,093	Al 33,981
9	La 55,899	SC 14.5%	Mi 16,270	Ky 13,961	SC 16,700	NY 31,142
10	SC 55,022	Tn 14.4%	La 15,600	La 13,266	Mi 15,874	Oh 30,441
11	Va 53,828	Ga 13.7%	Va 15,034	NY 13,242	Pa 14,832	Mo 30,030
12	Oh 53,650	WV 13.4%	Tn 14,955	Fl 12,670	Ar 13,784	Mi 28,724
13	Mi 53,510	Ak 13.1%	NY 14,853	Oh 11,811	Oh 13,117	Ca 28,002
14	Fl 52,472	ND 13.1%	Fl 14,392	Ca 11,702	WV 13,078	SC 27,717
15	Mo 51,934	Ok 12.4%	Oh 13,498	Va 11,676	Va 12,823	Fl 27,474
16	Ar 51,626	Tx 12.2%	Ca 12,682	Tn 11,612	Mo 10,849	Va 27,422
17	NY 51,177	Fl 12.1%	WV 11,503	WV 9,191	NY 10,456	Mn 26,021
18	Ca 47,937	NC 12.1%	Ar 10,219	Ar 8,.455	Ca 10,351	Ar 25,778
19	WV 45,594	Mo 11.7%	Mo 8,704	Il 7,541	Fl 10,273	La 24,870
20	Mn 37,772	Nb 11.3%	Il 8,689	Mo 7,215	Ok 7,447	In 22,884

RANK	RURAL POOR ELDERLY PERSONS	RURAL POVERTY UNRELATED INDIVIDS.	UNRELATED INDIVID. POVERTY RATE	RURAL POOR UNRELATED ELDERLY INDIVIDUALS	RURAL UNRELATED INDIVIDS W/PUBLIC ASSISTANCE	RURAL POVERTY UNRELATED WORKING INDIVIDUALS
1	Tx 85,859	NC 80,827	Ms 50.9%	Tx 43,654	Tx 18,085	Ca 26,300
2	NC 82,286	Tx 76,430	Al 47.0%	NC 40,990	NC 15,776	NY 23,599
3	Tn 60,731	Pa 68,168	Ar 46.8%	Pa 28,730	Ms 15,016	NC 22,755
4	Ms 59,869	NY 62,731	La 44.4%	Ga 28,482	Al 14,945	Tx 18,959
5	Al 59,787	Ca 53,007	Tn 43.0%	Al 27,664	Ga 14,193	Pa 18,546
6	Ga 58,008	Ga 52,797	Ky 42.5%	Tn 27,311	Pa 12,559	Mi 18,073
7	Ky 53,239	Mi 52,145	Ga 40.6%	Ms 26,909	La 12,530	Fl 16,725
8	Mo 47,387	Fl 51,203	Ok 40.5%	Mo 26,660	Tn 12,333	Va 13,427
9	Ar 46,372	Tn 48,218	SC 40.5%	Ky 23,642	Ky 11,418	Ga 12,320
10	Pa 45,329	Va 47,174	NM 39.2%	Va 22,904	Mo 11,350	Il 12,108
11	Va 44,539	Al 45,954	WV 37.6%	Ar 22,134	Ar 11,152	Oh 11,911
12	La 44,105	Ky 45,654	NC 37.4%	La 20,676	NY 9,065	Wa 11,045
13	SC 37,409	Mo 45,204	Tx 36.9%	Mi 20,324	Mi 9,062	Wi 10,919
14	FL 36,440	Ms 44,282	Mo 36.5%	Oh 19,902	SC 8,563	Tn 10,544
15	Oh 34,633	Oh 43,714	Va 35.0%	NY 19,498	Va 8,158	Ky 10,251
16	Mi 33,706	La 38,155	Fl 35.1%	Fl 19,024	Ok (7,742	Mo 10,106
17	Ok 31,182	Il 36,796	Ut 34.2%	SC 18,726	FL 7,556	Or 9,924
18	NY 30,853	Ar 36,421	SD 34.1%	Ok 17,487	WV 7,255	In 9,686
19	Mn 30,535	SC 36,086	Az 31.9%	Il 17,443	Oh 7,215	Mn 9,463
20	Il 28,673	WV 33,094	Me 31.3%	Mn 17,116	Ca 4,106	SC 8,179

Sources: 1980 Census for population and housing data: Social Security Administration State Plans for AFDC figures: National Association of Housing and Redevelopment Officials for shelter payments.

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[See app. 2, p. 111 for additional material submitted by Mr. Wilson.]

Mr. **Bonker**. Mr. George, you are going to be the anchorman.

Mr. **George**. How much time do I have before you have to leave?

Mr. **Bonker**. To be precise, you have 6 minutes to give your statement. That will leave me 5 minutes to ask questions, which is your birthday gift to me.

Mr. **George**. Happy birthday, incidentally. Come to Montana sometime and visit us and we will do something.

STATEMENT OF HERBERT H. GEORGE, AMERICAN ASSOCIATION OF RETIRED PERSONS, REPRESENTING THE AD HOC COALITION FOR HOUSING AND THE ELDERLY

Mr. **George**. As you probably know already, I am Herbert H. George. I am a volunteer spokesperson for the American Association of Retired Persons. I am from the State of Montana. I am also representing an ad hoc coalition of housing for the elderly.

I have a prepared statement, but I don't believe I am going to be able to present it to you. I suppose it has been made available or will be made available to you in its entirety.

Mr. **Bonker**. Mr. George, your prepared statement goes into the hearing record, the committee report, which is the document that we distribute as a result of today's hearing.

Mr. **George**. I would like to touch on a few points in my statement that I feel should be emphasized more than some of the other.

One of the salient facts with regard to the past budget policy is that the direct spending for federally assisted low-income housing has been cut by over 60 percent—you probably already know that—from about $30 billion to $10.7 billion in fiscal year 1985.

This reduction makes housing proportionately the hardest hit component of the Federal budget in recent years. Although elderly housing has been hurt less than some other programs, there has been a steady reduction in assistance to low-income persons where the need is most acute, in our judgment.

Most older Americans, according to the information we have been able to accumulate, are homeowners. Nearly three-quarters of persons over age 65 own their own homes. However, many of them have insufficient incomes to support their homes and no significant assets other than their houses.

Elderly renters are poorer than the owners, and the majority of the older renters are women living alone. These older women typically pay nearly half of their income just to keep a roof over their head, leaving very little to cover utilities, food, health care and basic expenses.

The situation is worst for the oldest. Women in their late seventies and eighties are less likely to have worked or acquired an income of their own. Those who did work received much lower wages, and those retiring now and were in the labor force for shorter periods of time. Now they must get by on minimal Social Security or SSI benefits, often no pension benefits at all.

With the curtailment of the Farmers Home Administration program or the shifting of that activity to the HUD arena, I have a lot of misgivings about that. I feel that we live in a basically rural environment in Montana. Of course, I am representing people across the Nation, but throughout farming areas which are similar to ours, I question the ability of the HUD people to respond with any degree of alacrity to the needs of the people in the rural areas.

I would view a shift of that activity to the HUD disciplines with some misgivings. With the curtailment of HUD activities and personnel and closing of regional offices, I feel that these proposed changes will not serve the needs of our elderly particularly.

The administration's response to this crisis over the past 4 years has successfully led the effort to reduce Federal spending for all assisted housing and to shift the emphasis to assistance from new construction and substantial rehabilitation to rent subsidies and existing housing.

It has championed the alternative form of rental assistance to the section 8 certificates. There has been some discussion on the voucher idea which would reduce benefit levels and do nothing to stimulate increased housing supply.

We have talked about the moratorium. There has been much discussion on that. I think we all have lived long enough to know that when you stop housing production, cut it off, of course there is the lingering production during the time that these units that are in the pipeline that will be produced, but these gradually diminish as time passes, and with that, diminishes the expertise and the facilities and the personnel to administer the programs. When the moratorium is over and you decide to gear up again, you are faced with another budget problem, probably, and also a tremendous expense in getting this production going again, getting your momentum up again. That concerns me, also.

There is something like, probably, in the neighborhood of 25 million elderly people. It is projected that this will increase to possibly 35 million by 2010. So, as the housing for elderly needs increase and we are shut down for 2 years and the numbers of people that need this kind of housing are increasing, it seems like we are just prolonging the agony of facing up to the problem that we have down the road.

I hope that this will be looked at very carefully, and particularly the voucher system. That, to me, envisions people who are able to go out and shop for housing. When you get into the area of the late seventies and the eighties and sometimes the nineties—and we start disappearing in the nineties, but there are a lot of us around at that age—these people are unable to go out and shop for housing. They depend on other people. They become less sure of themselves. Their energy is not sufficient. They can't address and tend to these problems.

How is the time, Mr. Chairman? I will stop any time you say.

Mr. **Bonker**. Why don't you wrap up.

Mr. **George**. I feel that we are faced with a tremendous problem. I have sympathy for you people who must address this problem. We support continuing these programs. We recognize that there is tremendous pressure on the Congress.

I would like to say that we are not unaware of the enormous pressures, the environment of the Congress and you people who work in this environment; the deficit, the taxes, and other matters that you must consider, however, we are confident that the solution to our problems will emerge as we all sort out our priorities and arrange them in proper order and separate our duty from expediency.

I thank you for the privilege of appearing before you today.

Mr. **Bonker**. Thank you, Mr. George, for your presence here today and for your statement.

[The prepared statement of Mr. George follows:]

PREPARED STATEMENT OF HERBERT H. GEORGE, AMERICAN ASSOCIATION OF RETIRED PERSONS, REPRESENTING THE AD HOC COALITION FOR HOUSING FOR THE ELDERLY

Mr. Chairman, I am Herbert H. George, a volunteer housing spokesperson with the American Association of Retired Persons from the state of Montana. I am here today representing the Ad Hoc Coalition for Housing for the Elderly, a group of national organizations committed to the development and preservation of decent, affordable housing for our nation's older citizens. The cochairpersons of that coalition are with me today: Jo Reed of the American Association of Retired Persons and Dean Sagar of the American Association of Homes for the Aging. On behalf of the Coalition, I thank you and other members of the Subcommittee on Housing for this opportunity to testify regarding the FY 1986 budget and the housing needs of the elderly.

The Coalition believes that the provision of appropriate, affordable housing with access to supportive services for older persons is of compelling importance. There is an unmet need for such housing now; it will rapidly become much more pressing as time passes and the older population grows in number and as a proportion of the general population.

Housing budget proposals for FY 1986 should be examined in the context of past policy decisions and current and future housing needs. Absent these considerations, new policy decisions are not likely to be either equitable or rational.

The salient fact with regard to past budget policy is that direct spending for federally assisted, low income housing has been cut by over 60 percent since 1981, from about $30 billion to $10.7 billion in FY 1985. This reduction makes housing proportionately the hardest hit component of the federal budget in recent years. Although elderly housing has been hurt less than other programs, there have been steady reductions in assistance to low-income older persons as well.

It is worth noting that indirect housing-related expenditures (tax benefits) assisting middle and upper income households have risen over this same period from $33.3 billion to a projected $41.3 billion in FY 85. Clearly, equity is already at issue.

Rationality is even more in question when we look closely at the housing needs of older Americans. Let me touch on some of the more important facts in this area.

Most older Americans are homeowners—nearly three quarters of persons over age 65 own their own homes—but many of them have insufficient income and no significant assets other than their houses. Elderly renters are poorer than owners, and the majority of older renters are women living alone. These older women typically pay nearly half their income just to keep a roof over their heads—leaving very little to cover utilities, food, health care and other basic expenses.

It has become fashionable to think that older Americans have overcome their traditional income disadvantage, having achieved a poverty rate slightly lower than that of the general population. In fact, the vast majority of older persons remain fixed in the lower reaches of the income distribution, with more than one in five having income in the poor or near poor category. The median elderly household income currently stands at about half that of the non-elderly household. Unfortunately the disadvantage persists.

The situation is worst for the oldest. Women in their late seventies and eighties are less likely to have worked and acquired income of their own. Those who did work received much lower wages than those retiring now, and were in the labor force for shorter terms. Now they must get by on minimal Social Security and/or SSI benefits and, often, no pension benefits at all.

But the problem of housing these individuals goes well beyond the issue of income. As people age, functional impairments develop for many which make standard housing arrangements inadequate to their needs. Stairs become barriers, transportation becomes inaccessible, household chores and repair work become overwhelming burdens. Individuals confronting these obstacles do not require institutional care—but they do need suitably designed accommodations and supportive services to remain as active and independent as possible. Those in fortunate economic circumstances can afford to acquire such accommodations; most older persons cannot.

The primary source of assistance to such persons with low and moderate income has come from federal housing programs. More than 600,000 low income older households live in public housing designed for those over age 62. Over 800,000 older households occupy housing built or rehabilitated for their use or subsidized under the Section 8 program. Section 202 housing for elderly and handicapped serves close to 150,000 elderly households. The Congregate Housing Services Program provides supportive services to sixty-three public and private, non-profit housing projects around the nation. Low and moderate income older homeowners have benefited from home repair loans and grants under the Community Development Block Grant.

These programs, operated by the Department of Housing and Urban Development (HUD), function mainly in urban and suburban areas. In non-metropolitan areas, where about a third of the older population resides, HUD programs have not worked as well. But the Farmers' Home Administration, utilizing a network of local county offices, has filled in at least some of the gaps. Low income older renters may get part of their rent paid through the Section 521 program, and close to 100,000 such households live in rental units built under Section 515. Some 50,000 older homeowners have received grants for home repairs under Section 504 program.

Nevertheless, taken together, HUD and FmHA programs still fall dramatically short of meeting the need that exists for affordable, appropriate senior housing. It is estimated that three and a half million elderly households subsist on incomes of less than $5,000 yearly, yet only half a million of them receive assistance under federal housing programs. Long waiting lists have accumulated for Senior housing projects, and most of those waiting will never gain access. In Section 202's, fewer than one-fifth of the units turn over per year. As a result, many eligible older persons do not even bother to fill out an application for entry.

Those who have managed to get into Section 202 and public housing designed for older persons are "aging in place," and many of these projects are unprepared to provide the range and volume of personal care and other services necessary to prevent premature institutionalization. Hence, the situation grows more critical every day.

What is the Administration's response to this crisis? Over the past four years, the Administration has successfully led the effort to reduce federal spending for all assisted housing and to shift the emphasis of assistance from new construction and substantial rehabilitation to rent subsidies in existing housing. It has championed an alternative form of rental assistance to the Section 8 certificate: a voucher which would reduce benefit levels and do nothing to stimulate increased housing supply. It has repeatedly attempted to zero out funds for the Congregate Housing Services Program—a program that should be expanded significantly. And for FY 1986, the Administration has proposed to do away entirely with additional public housing and all federal assistance under FmHA, while placing a two-year moratorium on construction under the Section 202 program and on expansion of rent subsidies. While new units will continue to become available as construction already in the pipeline is completed, all other production is to cease. Operating and modernization subsidies for existing public housing facilities are to be substantially cut back, placing elderly and other residents of such projects at greater risk of the crime and safety problems that tend to accompany deteriorating buildings and neighborhoods. In view of the facts already outlined—pertaining to the elderly population alone—this course appears reckless in its disregard for human needs.

The alternative course, in the Coalition's view, is to acknowledge the crisis at hand and bend every effort—within fiscal feasibility—to address it. At a minimum, this implies preserving the current low income housing stock through provision of adequate operating subsidies and modernization funds, home repair and weatherization assistance. It also implies the rejection of administrative regulations or divestment policies that would permit existing federal low income housing to be sold, demolished, abandoned or otherwise removed from access by low income persons in need.

Second, a positive federal response to the housing crisis should include action to expand the housing options now available. Losses to the nation's low income housing stock occur daily through rent increases, condominium conversions, deterioration and abandonment, while at the same time new households are formed which increase pressure on the available supply. The elderly population, now numbering about 26 million, has been projected to reach a level of 35 million by the turn of the century, and could go as high as 54 million by the year 2030. It is not surprising then, that a recent University of Michigan study called for production of 235,000 units per year for the next 20 years in anticipation of growth in demand among older persons alone.

Rather than eliminating housing programs, the federal government should continue production of public and Indian housing, extend the Housing Development Grant (HODAG) program, and especially, boost growth in Section 202 housing for the elderly and handicapped program. The trend of recent years, which has seen Section 202 decline by about 40 percent from production levels of the 1970's, must be reversed. We are quite concerned that if Section 202 production is suspended for two years as proposed by the Administration, loss of HUD personnel and regional offices and the pressure of continuing budget constraints may eliminate the possibility of reviving it. This would be tragic, given the program's demonstrated success over many years in serving older Americans and the manifest need for its continuation.

Also, the Section 8 existing program should be continued. The voucher approach which the Administration would substitute for Section 8 in FY 1988 has some features which greatly concern the Coalition: vouchers have a life of only 5 years, compared with the 15-year availability of Section 8 rent assistance certificates; the voucher subsidy amount would be adjusted only twice over a five-year period, while Section 8 certificates are updated in line with housing costs annually; and tenants are able to use the voucher in any housing they choose, in contrast to Section 8, which must be used in housing that meets Fair Market Rent standards. The Administration believes that vouchers can provide an incentive for tenants to seek the least expensive housing available, thereby enabling them to keep the savings achieved through finding a unit with rent cheaper than the fair market rent. Our concern is that such a prospect is unlikely at best in a tight rental market; more likely, tenants will end up paying much more out-of-pocket to obtain housing, as in most situations the housing they find will exceed the rents permissible under Section 8 Existing.

Moreover, older persons will be at a distant disadvantage in seeking whatever housing is available; those with mobility impairments and activity limitations are not in a position to compete with more able-bodied individuals to find appropriate and affordable units. And we do not believe that housing with the special features needed by functionally-impaired older persons will be generated merely in response to the existence of housing vouchers on the market.

In line with this view, the Coalition feels strongly that the Congregate Housing Services Program should be continued and strengthened. For older persons above all, housing cannot be just bricks and mortar; provision must be made for supportive services—transportation, nutrition, personal care or chore assistance—to facilitate individuals' continued independence and involvement with community life. A preliminary evaluation of CHSP has shown the potential for significant savings over institutionalization, yet this program has not been expanded beyond a handful of projects around the country. It is time to recognize the program's merits and act accordingly.

Finally, the Coalition supports the preservation of rural housing programs administered by FmHA. The Administration budget would remove all authority for rural housing from FmHA and place it under the jurisdiction of HUD, eventually splitting HUD assistance between urban and rural areas. This proposal would have the effect of reducing future low income housing assistance to less than 60% of what is being provided now, and there is no assurance that HUD will be any better equipped to serve rural areas than it has been in the past.

Because the views just expressed are consistent, in the main, with the provisions of the Housing Act of 1985 (H.R. 1), the Coalition wishes to go on record in its support for the general concepts of that bill.

Mr. Chairman, the Ad Hoc Coalition commends you and other members of this panel for your staunch and continuing support of housing programs to serve older Americans. We appreciate your convening this hearing to permit an airing of views as to the impact of the FY 1986 budget on the housing situation of the elderly.

In closing I want to assure you that the Coalition has great confidence in the sincerity of our Congress. We are not unaware of the enormous pressures of the environment in which you labor. The deficit, taxes and other matters that you are required to address and debate must be overwhelming in times like these. However, we are confident that solutions to our problems will emerge as all of us sort out our priorities, arrange them in proper order and separate our duty from expediency.

Again I thank you for the privilege of appearing before you today.

PREPARED STATEMENT OF JOHN T. HANSON

Mr. Chairman, I am John T. Hanson, a volunteer for 6 years on the Board of Directors of Westminster Church Homes, Inc. and now president of Ridge Residences, Inc. in Carroll County, Maryland. I wish to offer testimony to supplement that offered at the March 7th hearing by Herbert H. George, spokesman for the Ad Hoc Coalition for Housing for the Elderly, relevant to your consideration of the proposed FY 1986 budgets for H.U.D. and FmHA.

Our 12 year experience in operating a 100 unit facility built under the H.U.D. 236 proposal for the elderly provides heart wrenching confirmation of Mr. George's description of the functional impairments that come with advancing age. Thirty six of our current residents (40 as of October, 1984) came to us 12 years ago, when all applicants accepted were already 62 years or older. We have been obliged, with increasing frequency, to recognize our inability to provide consistently the supportive services that the fragile elderly require if they are to maintain a modicum of independent living. Time and again we have seen our residents obliged to move into nursing home facilities, since the supportive services they needed were not available elsewhere. With a waiting list we cannot accommodate in the next five years and with the knowledge that in our county, some 15% of nursing home residents require only the supportive services they provide, we are convinced that even if the very modest Congregate Housing Service pilot program of H.U.D. were extended, despite the FY 1986 proposed zero funding, it would fail to meet increasing needs, particularly in rural areas.

Carroll County, essentially a rural county, is nevertheless treated by H.U.D. as a part of the Baltimore Metropolitan area. In contrast with the city proper and its extensive suburban environs, the dispersal of our elderly population beyond the confines of our modest towns (our county seat has only 10,000 inhabitants) presents all the costly problems for assisting the elderly that every rural county faces. Cost of transportation, travel time, etc. are a very real problem, for non-profit private agencies such as our "Senior Overland Service" that provides transportation to our elderly, and Meals on Wheels, as well as four our active and effective County Office on Aging.

Our conclusion is that the only way to provide the best possible service, at the lowest possible cost to the taxpayer, for our elderly is to add new units to our existing facility and then develop with private and state assistance, the needed supportive services. We believe this can work for us, and probably for many other facilities in suburban as well as rural areas across the country.

Supportive services are most economically provided in an established community of the elderly. Those already resident in such a community who come to the point where they need those services can make the transition without leaving the environment and the neighbors they have come to know and enjoy. Even though they feel limitations on active living, the community encourages them to make the best possible use of their opportunities.

Moreover, the economic benefits go further when community amenities already exist, management and administrative services are already in being and in many cases, adequate land is already available in the community for use at minimal cost. Adding a given number of units is much less expensive than the construction of a new facility and required services from scratch. Professional economists have long recognized this as an "economy of scale".

The community at large also stands to benefit, where the movement of fragile elderly to a transitional facility frees units for others capable of maintaining a fully independent existence.

Finally, it seems obvious that the tax payer, who supports not only H.U.D. housing programs but the operations of hospitals and nursing homes through Medicare and programs of the Department of Health and Human Services, will benefit as well. Every month that the fragile elderly can postpone moving to nursing home care brings a substantial dollar saving. And when nursing home beds are used only for those who truly need them, the cost efficiency of their operation is enhanced. Have the fiscal benefits obtainable by taking into account the organic interrelationship between the services to the elderly provided by the two federal departments ever been systematically explored? From our experience, we doubt it.

Mr. George's testimony and the Subcommittee's memorandum of March 5, 1985 make clear that the proposed FY 1986 H.U.D. and FmH.A. budgets' central intent is to continue earlier steps to reduce the effort devoted to new construction of low cost housing, including that for the elderly. The proposed 2 year moratorium would end all such efforts until 1988.

PROPOSED MORATORIUM ON H.U.D. CONSTRUCTION PROGRAMS

Undoubtedly the number of living units for the elderly that would become available from new construction is modest when compared with the size of the capital investment involved. Nevertheless, it is not enough to base fiscal decisions in these instances only on the size of the existing long term fund commitment of H.U.D. and the cost in current dollars of new units that might be added under new long term fund committments.

Our 12 year old operation illustrates other factors that should be considered. Our 236 project is based on 40 year mortgage which—like many others of its kind—was eventually sold by the original private financial organizations to the Federal National Mortgage Agency (FNMA). That agency now receives and will continue to receive until the mortgage is liquidated, regular payments of interest and amortization amounts obtained from the rents and rent subsidies of our residents. Since 236 projects as of June, 1982 accounted for 71,800 units occupied by the elderly—19% of all H.U.D. funded units—the total income being received by the federal government from such mortgages is surely substantial. The construction projects funded by H.U.D. generally involve 40 year mortgages, which are to be liquidated through interest and amortization payments. Since 190,000 of the units constructed through H.U.D. 202 funding are occupied by the elderly and since it is considered the most successful Federal Housing program, with only one of the 1,700 projects constructed since 1959 in default of its mortgage obligation, the Federal income through mortgages held by H.U.D. is also obviously substantial.

For projects funded prior to the spectacular rise in interest rates and double digit inflation, the returns are, in current dollars, obviously less than for projects undertaken in the past six years. But interest rates on those recent projects are substantially higher as are the amortization payments.

The proposed FY 1986 H.U.D. budget proposes offsetting the decrease in construction funding by continuing to increase the funds disbursed through low cost housing vouchers and Section 8 rent subsidies. Our project has in 1984 already had the number of our Section 8 subsidies increased—but the actual increase initially was provided in lieu of subsidies previously made available to tenants who qualified because of their level of income when they were accepted under 236 regulations. Subsidies under 236 terms were terminated at the same time.

I have seen no evidence that the justification for the proposed FY 1986 budget addresses the economic difference between a subsidy program—which is essentially a grant of financial aid which, once spent, leaves future needs still to be covered, and a construction program, which is essentially a loan transaction, set up to be self-liquidating as well as a source of income for the Federal government in the form of interest. Private non-profit organizations that have received H.U.D. construction assistance are well aware that they have assumed a serious long term obligation and those willing to compete today for the limited funds now available are all too painfully aware of the size of the obligations they can anticipate.

Here too our organization finds same reassurance when we consider that for us, the addition of a new heavy obligation to that we are already accustomed to carry is less onerous than it would be if the new obligation alone had to be assumed. We are also reassured when we realize that the value of our existing facility has increased substantially as a result of years of inflation, and that the remaining initial mortgage is better secured as a result!

I wish to thank the members of the Subcommittee on Housing for the opportunity to submit this testimony regarding the FY 1986 budget and the housing needs of the elderly. I trust that the Subcommittee will find it possible to enlist the cooperation of other committees of the House of Representatives in exploring the implications of the operations of the Department of Health and Human Services for the programs of elderly housing carried on the H.U.D. and FmHA and the implications for the FY 1986 budget of H.U.D. and FmHA of Federal receipts under H.U.D. and F.N.M.A. mortgages on elderly housing.

Mr. Bonker. Perhaps one of you could explain to me how Ms. Hale arrives at her conclusion that despite the 66-percent reduction in funding for housing, a lot more families are now benefiting. I have a difficult time understanding that.

Mr. Levine. If I might try?

Mr. Bonker. CBO ought to be able to rationalize this, if anyone can.

Mr. **Wilson**. That is why I passed the microphone over, Mr. Chairman.

Mr. **Levine**. If I can, I will consider it my birthday present to you, having neglected the edict of the Chair to wish you a happy birthday. We at CBO are two-handed economists in everything, and we are bad at declarative statements; it really goes against our nature.

One way to think about the apparent anomaly of cutting dollars but in fact, helping more people is that the dollars being cut reflect the annual appropriation of budget authority to fund new long-term assistance commitment. That eventually shows up as part of the $240 billion outstanding. At the same time, each year when we increase the long-term obligation of the Federal Government, we are also increasing the number of people we are assisting.

The first of the two figures on table 13 shows the annual assistance in terms of the additional numbers of units assisted. If you put the numbers in dollars, you would also find it declining from a peak of about $30 billion in the highest year—that is, we were adding to this pot of money of long-term commitments at a rate of $30 billion annually—down to about $10 billion in the last years. This is the two-thirds cut that is referred to.

At the same time, because we are still adding units, the cumulative number of units is increasing. Also, outlays are going up. In fact, outlays over this 10-year period have more than doubled in inflation-adjusted terms. We are now spending between the HUD programs and the Farmers Home programs——

Mr. **Bonker**. The expenditures are down, but the outlays are up?

Mr. **Levine**. It is two senses of expenditure. First, there is an amount that the Congress appropriates to pay the long-term costs of new assistance commitment. These are appropriated programs, much as if you were purchasing an aircraft carrier. Some of the money spent on the aircraft carrier may be spent out over a long period of time as it is actually constructed, but the money—or some share of it—has to be appropriated up front. I am not speaking as a defense expert by any means.

In most housing programs, we are entering into contracts with public housing authorities or private housing developers or landlords. There contracts obligate the Federal Government to pay some housing subsidies for, in the case of new construction, as long as the project is around—up to 40 years potentially. In a sense, we are obligating ourselves to make the mortgage payments for up to 40 years, and we are putting that money in a bank in advance. There is not an actual outlay initially, but there is a chit that lives over in Treasury, and the total number of chits amounts to $240 billion. We are adding to that pile by appropriating an amount that will eventually be spent out over 40 years.

The second sense of "expenditures" is outlays. This is the amount we are actually spending in any 1 year to help the people who are actually occupying the units. Thus, outlays go up as the units do. We are now up to about 4 million renters and about 1.2 million homeowners actually occupying units. The expenditure associated with that is approximately $11 billion under the HUD program, I believe, and close to $2 billion under the Farmers Home

Programs. That represents in essence the spending out of that $240 billion.

When you ask Ms. Hale about whether that $240 billion will be spent—or, what the annual translation of the $240 billion is—in some sense the $11 billion is the annual HUD share of that, more or less. So, what we are doing is we are spending down this bank account that lives at the Treasury.

Happy birthday, if I have succeeded in answering your question.

Mr. BONKER. That is one gift I can do without.

Over at OMB you have to wrestle with the broader questions, not just housing but domestic programs and the like. Now that I have somebody from OMB here, when are we expected to withdraw from the unified budget the trust funds?

Mr. LEVINE. I am representing the Congressional Budget Office and not the Office of Management and Budget.

Mr. BONKER. No, this is CBO.

Mr. LEVINE. The question was when we expect to——

Mr. BONKER. The Congress acted I think 2 years ago to withdraw the trust funds, like Social Security.

Mr. LEVINE. Oh, Social Security. 1992 sticks in my mind. It is in the 1990s, I believe. I think around 1992.

Mr. BONKER. When we look at the budget pie we have 30 percent in defense; 25 percent in Social Security and other entitlements, 15 percent in interest; 7 percent in Medicare, and then we have these little slivers of what is left of the Federal budget.

Can you outline for the subcommittee the percentage of the overall budget that housing represents?

Mr. LEVINE. It is pretty close to one percent. The $13 billion that we are spending would be about 1 percent of something close to a $1-trillion outlay.

Mr. BONKER. The President is recommending the 2-year moratorium and the termination of FMHA programs. That would leave what percentage for housing?

Mr. LEVINE. Outlays would actually still rise, because they represent the spending on behalf of the 4 million commitments we have already made to help people. But outlays would fail to grow as rapidly as they would if you continued to expand they pool of assistance.

Mr. BONKER. That means the percentage would shrink a little bit then?

Mr. LEVINE. Correct. The percentage would shrink, right, I believe.

Mr. BONKER. I am sorry for the length of this hearing and the interruptions, but that is always a peril of doing committee hearings in the afternoon. I want to thank each of you for coming and for contributing to our record and helping us to understand better what the potential impacts of the President's budget will be on local housing programs.

The subcommittee stands adjourned.

[Whereupon, at 4:05 p.m., the hearing was adjourned.]

APPENDIX 1

THE IMPACT on AMERICA'S CITIES of the ADMINISTRATION'S FEDERAL BUDGET for FISCAL YEAR 1986

MARCH 1985

United States Conference of Mayors

INTRODUCTION

Background

The proposed federal budget for Fiscal Year 1986 was sent to Congress by the President on February 4. A detailed analysis of the budget document was published by the U.S. Conference of Mayors on February 7. That analysis indicated that the budget "proposes to eliminate or sharply reduce nearly every federal urban program of significant benefit to cities."

The Administration's budget proposal contains significant increases in defense spending on one hand, and significant decreases in domestic spending on the other. For FY86, grants to states and localities would drop by $20 billion, or 18 percent. Using FY81 as a base year, federal grants to state and local governments, after accounting for inflation, will have dropped 50 percent by FY86. For the key federal programs of direct benefit to cities, the drop from FY81 to FY86 would be 80 percent in real dollars, not accounting for inflation.

In a press conference called to release the federal budget analysis, New Orleans Mayor Ernest Morial, President of the Conference of Mayors, highlighted the proposed actions of greatest concern:

- "The General Revenue Sharing program would be eliminated in Fiscal '86. Revenue Sharing is a fundamental component of most city budgets. Its loss would trigger wide-ranging and disruptive cuts in the most basic public services, such as police and fire protection, and would force some local tax increases. The proposal to end revenue sharing next year comes as a shock to mayors who believed that the Administration would stand behind this program.

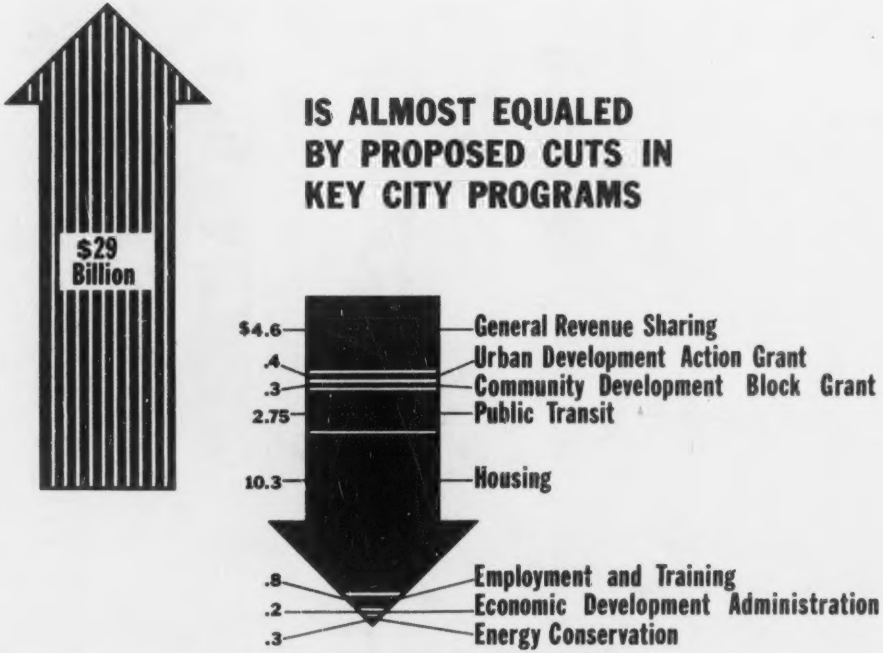
- "Community Development Block Grants would be reduced by about 23 percent for entitlement cities. This would occur as a result of cuts and modifications in the way funds are distributed to cities. These funds are considered essential by the cities which use them in so many ways to develop neighborhoods and create new opportunities for our citizens.

- "Urban Development Action Grants would be eliminated. These grants are tested, effective tools to leverage large amounts of private development money in our cities. Each UDAG dollar stimulates $6 in private investment at the local level.

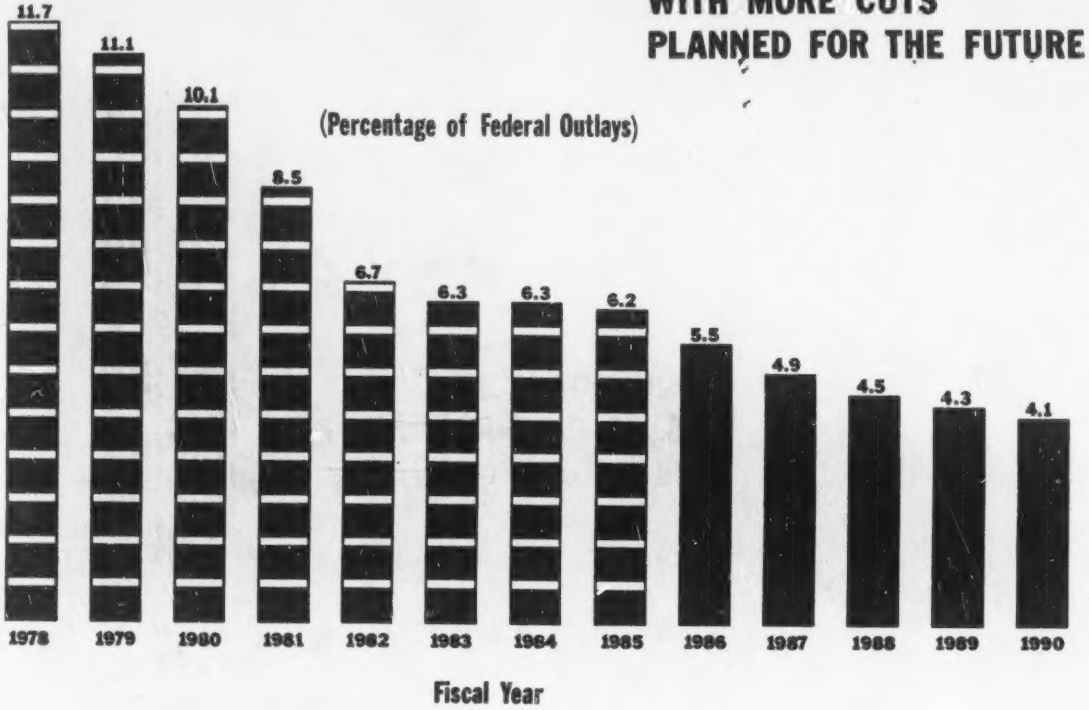
- "Housing assistance funds would be cut from nearly $11 billion this year to less than a half-billion dollars next year, and there would be no new housing assistance funds of any kind for next year or the year after. Our low income and elderly citizens would be hard hit by this proposal.

THE PROPOSED FY86
DEFENSE BUDGET
INCREASE . . .

IS ALMOST EQUALED
BY PROPOSED CUTS IN
KEY CITY PROGRAMS



Source: U.S. Budget



FEDERAL ASSISTANCE TO CITIES AND STATES HAS DECLINED SHARPLY AS A SHARE OF THE BUDGET...

WITH MORE CUTS PLANNED FOR THE FUTURE

- "Public transit would be cut $2.75 billion -- two thirds of the total federal effort. The public transit block grant which provides most capital and operating assistance would be completely eliminated, resulting in service cuts and some shutdowns in cities.

- "Youth and jobs programs would be cut several ways. Summer jobs for disadvantaged youth would be cut in this Fiscal Year and again in Fiscal '86. About $900 million would be cut from the Job Training Partnership Act. The Job Corps, the Work Incentive program and others would be eliminated altogether.

- "Direct loan programs would be cut in half, a credit loss of nearly $28 billion. The Small Business Administration, the Economic Development Administration and other major programs would be completely eliminated. Low rent public housing loans would drop from over $14 billion to less than $2 billion.

- "A $4 billion Medicare cut and a $1.1 billion Medicaid cut would place heavy burdens on those needing health care and on the cities responsible for Medicaid, public hospitals and other health services.

- "Despite increasing numbers of hungry and homeless citizens, and despite increasing demand for emergency human services, there would be no funds to continue the emergency food and shelter programs, and special commodity distribution programs would be discontinued as well."

The Survey

Because of the scope and the depth of the budget actions proposed by the Administration, Mayor Morial, following consultation with the organization's Executive Committee, directed the Conference of Mayors staff to assess the impact that the proposals would have on cities across the country.

On February 15 a questionnaire was mailed to a sample of more than 400 mayors of cities over 30,000 in population -- about half of all cities this size in the nation. The Conference of Mayors represents cities of 30,000 and above.

The questionnaire sought information on impact of proposed program terminations and cuts in nine areas:

- General Revenue Sharing
- Community Development Block Grants
- Urban Development Action Grants
- Public Transit
- Wastewater Treatment Construction Grants
- Assisted Housing
- Loan Programs
- Employment and Training
- Health

MOST MAJOR CITY PROGRAMS ARE ELIMINATED OR GREATLY CURTAILED BY THE PROPOSED FY86 BUDGET

General Revenue Sharing

Urban Development Action Grants

Economic Development Administration

Job Corps

Housing Rehabilitation

Low-Income Housing

ELIMINATED

Community Development Block Grant -- 10% CUT, plus

Public Transportation -- 66% CUT

Employment and Training -- 22% CUT

Energy Conservation -- 88% CUT

Source: U.S. Budget

It also sought information on:

- Ability of city governments to raise local revenues to compensate for federal budget actions;
- Likelihood that state governments would provide funds to compensate for federal cuts;
- Current surplus/deficit situation in city budgets;
- Impact of Treasury Department tax reform proposals on city projects and services.

Mayors were asked to return completed questionnaires to the Conference by February 25; data were accepted by the Conference through March 4. A total of 157 cities responded to the survey. The responses came from cities in 42 states and Puerto Rico, and from the District of Columbia.

Summary of Findings

The sections which follow in this document present the findings of the survey in each of the program, revenue and tax areas listed above. Following are highlights of these findings.

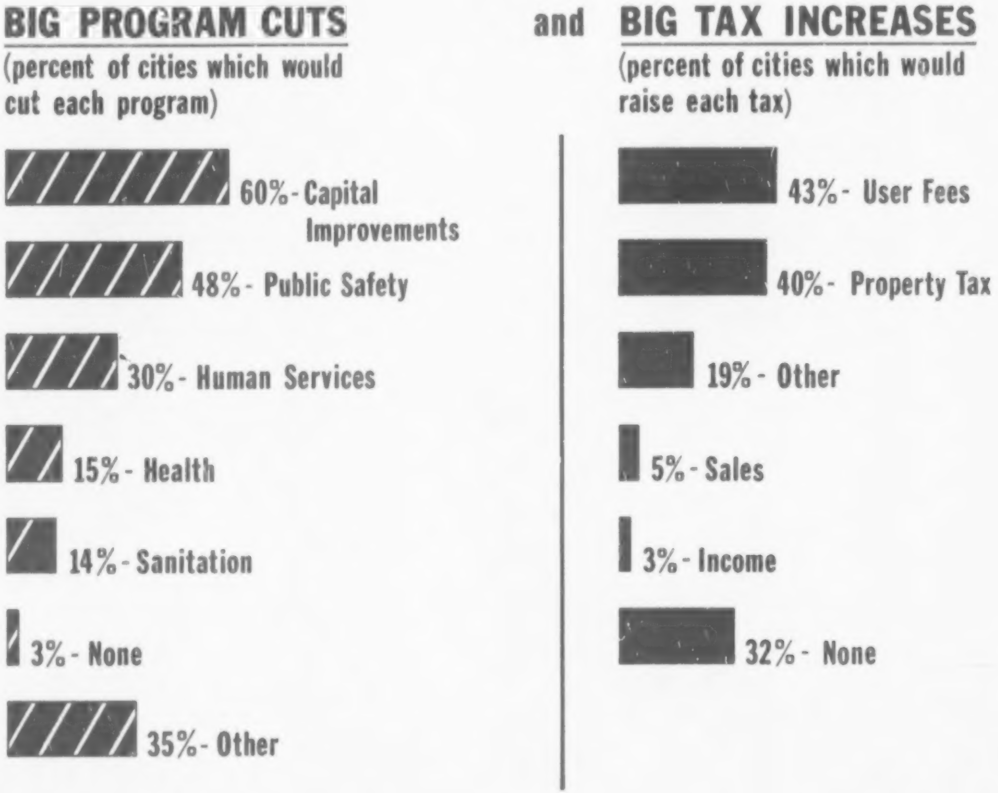
General Revenue Sharing

If General Revenue Sharing is eliminated as proposed in FY86, 97 percent of the cities responding to the survey would cut services. Capital improvements would be cut by 60 percent of the cities; public safety would be cut by 48 percent. In addition, 68 percent of the respondents predicted some type of local revenue increase to compensate for the loss of the revenue sharing funds. In 43 percent of the cities user fees would be increased; 40 percent would increase property taxes. Only five percent of the cities expect any state aid to compensate for the revenue sharing loss.

Community Development Block Grants

A 23 percent cut for Community Development Block Grant entitlement cities would result from the Administration's proposed cut of 10 percent in CDBG funds and proposed shift in entitlement cities/small cities funding ratio from 70:30 to 60:40. Almost 93 percent of the respondents said these proposals would have either an adverse effect or a very adverse effect on their cities. While over 31 percent of the cities would make across-the-board cuts in all areas for which CDBG funds are used, most cities -- more than two out of three --would cut housing programs, and about 54 percent would cut public works and infrastructure improvements.

ELIMINATION OF GENERAL REVENUE SHARING MEANS....



BIG PROGRAM CUTS and **BIG TAX INCREASES**

(percent of cities which would cut each program)

(percent of cities which would raise each tax)

Urban Development Action Grants

For 70 of the cities responding to the survey, an estimated 102,000 jobs and nearly $4.3 billion in investment will be lost if Urban Development Action Grants are eliminated as proposed in FY86. Of the 292 UDAG projects now being planned in these cities, only nine would go forward without UDAG funding. Nearly three out of every four respondents said the loss of UDAG would have an adverse or *very* adverse effect on their cities.

Public Transit

The proposed FY86 budget calls for a two-thirds reduction in transit assistance, including a total elimination of federal operating assistance and a rise in the local matching share required by the federal government. Among the cities responding to the transit question, 83 percent said that fares will increase if the federal assistance is cut. Of the cities predicting fare increases, 19 percent say that fares will at least double; another 17 percent would increase fares by more than half. In addition, three out of four cities would reduce their vehicle fleets, and 70 percent would eliminate some public transit routes. While overall transit service would decline significantly in most cities, nearly 39 percent of the respondents said that their systems would be threatened with shutdowns.

Wastewater Treatment Construction Grants

The Administration is proposing a four-year phaseout of wastewater construction grants, with a likely 25 percent reduction in each of the next four years. Almost 36 percent of the respondents said they would be unable to complete existing wastewater treatment facilities in their cities if the phaseout goes through. About half of the cities are under court order, consent decree or other binding contract to build new plants or finish existing ones in order to meet 1988 clean water standards. Sixty percent of these will not be able to meet these obligations without a significant increase in taxes or user fees.

Assisted Housing

The budget for FY86 proposes a moratorium on all new units of assisted housing. Over 88 percent of the respondents said the availability of housing affordable by low income people would be either adversely or *very* adversely affected by the moratorium. The proposed one-year elimination of funds for modernization would have an adverse or *very* adverse effect in nearly 78 percent of the responding cities. For 93 percent of the cities, waiting lists for assisted housing would lengthen because of the moratorium. On average, the waiting list for Section 8 units is more than 2 years, for Section 202 units, 18 months; for public housing units, almost two years.

IF THE PROPOSED FY86 BUDGET CUTS ARE APPROVED....

96% of planned projects based on UDAG funding will not go forward...	⬇	...with a loss of 102,000 jobs and $4.3 billion in investment
83% of cities will raise transit fares...	⬆	...with 36% of fares rising more than half
70% of cities will experience cuts in health services...	⬇	...with many to experience shifts in costs to local health departments
60% of cities would have to raise taxes to meet wastewater needs...	⬆	...with 43% rising more than 25%
More than 93% of cities will be adversely or very adversely impacted by the CDBG cut...	⬇	...with major impacts in housing, public works and economic development
Youth unemployment will rise...	⬆	...with more than 37,000 kids forced from the summer jobs programs

Loan Programs

As proposed in the FY86 budget, the elimination of Section 312 rehabilitation loans, Section 108 community development loan guarantees, the Small Business Administration's loan programs and the Economic Development Administration's loan and grant programs would adversely or very adversely affect over 83 percent of the cities responding. Section 312 loans totaling nearly $34 million and involving well over 3500 housing units were used last year by 57.5 percent of the respondents. Section 108 loan guarantees were used by 17.5 percent of the cities. EDA loans and grants totaling more than $38 million went to 44.4 percent of the cities.

Employment and Training

Over 80 percent of the respondents said the proposed elimination of the Job Corps and cuts in the summer youth employment program and dislocated worker program would have an adverse or very adverse effect on their cities. Over 37,000 young people in 77 survey cities would be removed from jobs programs this summer by the proposed recission of $100 million in summer funds. In more than four out of five of these cities, alternative services will not be available for the young people who are affected.

Health

The Administration's proposal to cut the Medicaid program, capping federal matching payments to the states, will reduce locally available health services or the number of people who receive health care in 70 percent of the cities responding; in almost all of these cities, both services and people served would be cut. The proposal to freeze health block grants and reduce funding for various other health programs would trigger an increase in sexually transmitted disease in two out of three cities responding. Childhood disease rates would be expected to increase in 64 percent of the cities, infant mortality rates in 62 percent and tuberculosis rates in 60 percent. More than half of the cities would expect an increase in all four of these health indicators.

City Revenues

Over half of the cities responding say they would have to raise local revenues to compensate for proposed cuts in the federal budget. Most of those that would not raise revenues are constrained from doing so by state law, have high tax burdens already, or believe that approval of increases by voters, city councils or state legislators is unlikely. Increases in property taxes and user fees would be sought by most of the cities to compensate for federal aid losses in key urban programs.

State Aid

A total of 85 percent of the cities responding say they expect no additional funds from their states to compensate for the proposed federal budget cuts.

City Fiscal Conditions

More than nine out of 10 of the responding cities were forced to raise revenues or reduce services last year in order to balance their budgets. Nearly half raised user fees, 41 percent laid off workers or instituted hiring freezes, 40 percent cut services and 28 percent increased property taxes. Two out of three of the survey cities forecasting budget surpluses this year have already committed the funds to ongoing services or to the pay-back of prior year deficits.

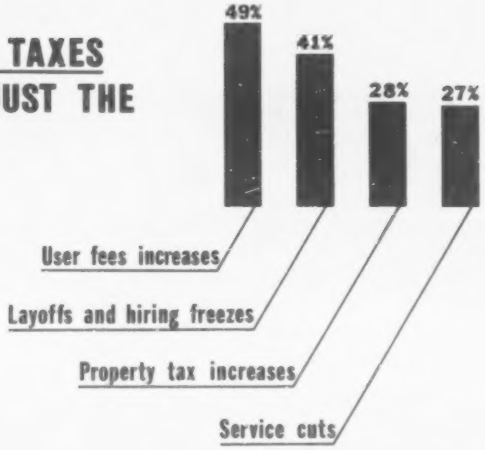
Treasury Department Tax Proposals

The response to the Treasury Department's proposed curbs on "private purpose" municipal bonds is almost completely negative, with all but one survey city citing at least one project or effort that would be negatively affected. For 87 percent of the respondents, the proposed elimination of the deductability of state and local taxes would make it very difficult to raise local taxes, would lead to declining real estate values, or would have other negative effects.

Appendices

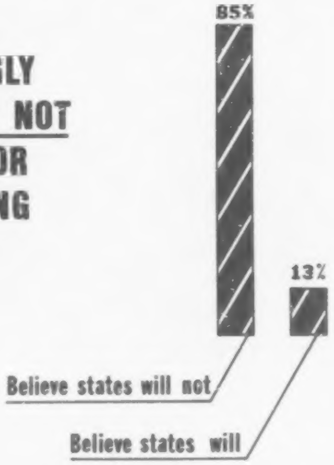
The questionnaire used in the survey is included in Appendix A. Appendix B contains specific responses to selected questions for 50 of the survey cities. Appendix C contains a list of the cities responding to the survey and the 1980 Census Bureau population counts for them.

CITIES HAVE RAISED TAXES AND CUT COSTS IN JUST THE LAST YEAR....



and

CITIES OVERWHELMINGLY BELIEVE STATES WILL NOT COMPENSATE THEM FOR LOST FEDERAL FUNDING



GENERAL REVENUE SHARING

The overwhelming majority of cities responding to the survey predict major local budget cuts and tax increases if general revenue sharing is eliminated. Since 1972, revenue sharing has been incorporated into local budgets in an integral fashion, with cities using the funding for public safety, a variety of human services programs and many other vital city efforts. For survey cities, it ranges as a percent of city budgets from one to 25 percent.

Local Budget Cuts

A total of 97 percent of the respondents predict cuts in services if revenue sharing is lost.

- 60 percent say they would cut capital improvements
- 48 percent would cut public safety
- 32 percent would cut human services
- 15 percent would cut health services
- 14 percent would cut sanitation

In addition, 35 percent listed other major adjustments in expenditure levels -- cutting street and building maintenance, education programs, downtown development efforts, and transit; laying off workers and making across-the-board reductions in programs.

Local Tax Increases

Cities also said they would have to enact revenue increases to compensate in whole or in part for the elimination of revenue sharing. A total of 68 percent predicted some type of increases.

- 43 percent said that user fees would be increased
- 40 percent would increase property taxes
- five percent would increase sales taxes
- three percent would increase income taxes

Most cities do not have the authority to impose sales or income taxes.

In addition, 19 percent cited other major revenue adjustments -- increasing franchise taxes, permits and fines, utility taxes, license fees, business taxes, hotel taxes and the like.

* * *

Among the 32 percent of cities who said they would not raise taxes, many explained they could not because of state tax limitations, already very high tax burdens or the unlikelihood of getting council or public approval.

Finally, many cities volunteered other changes they thought they would be forced to make -- increasing debt financing, contracting more services to the private sector, deferring capital expenditures and personnel cuts, among others.

In response to the question as to whether cities expect any state aid to compensate for the loss of revenue sharing, fully 94 percent of the cities say they do not expect any such help. Only five percent predict that the state will reimburse them for any of the revenue sharing cut. Of the seven cities that said the state might help, most did not predict a percentage; in general, those who did believed the aid would be quite low.

COMMUNITY DEVELOPMENT BLOCK GRANT

Almost 93 percent of the cities responding indicate that the proposed 10 percent cut in Community Development Block Grant funds and change in the entitlement cities/small cities ratio from 70:30 to 60:40 would have either an adverse or very adverse effect.* Together the 10 percent cut and the ratio change would mean a 23 percent cut for entitlement cities and a possible 10 percent cut for small cities. Three cities report the effect would be minimal. Seven say there would be no effect. At least three of these do not now receive CDBG funds, however.

For a number of cities the proposed cut comes on top of other reductions in their CDBG allocation in recent years. Baton Rouge indicates its allocation has dropped $250,000 over the last three to four years. Milwaukee has already absorbed a $5 million cut in its CDBG allocation.

Peoria officials report that "community and economic development activities will be curtailed during a time of high unemployment and economic dislocation." For Washington, D.C., CDBG funds have been used to "provide assistance to those who need help. Gains made in the past would be affected and new improvements will not be available." Officials in Orem, Utah expect the major impact will be on "people programs." In Grand Forks the recent direction of the city's economic development efforts -- a new foreign trade zone -- would be changed significantly and the city's ability to create jobs would be particularly affected.

Tacoma reports that the proposed cuts would result in a loss of jobs (public and private), elimination or reduction of funding to agencies providing public services, and great difficulty in leveraging private investment. In Charleston, South Carolina "the two most run-down areas of the city have received substantial assistance in housing rehabilitation and job creation through the CDBG program....Since there is no way to raise sufficient local funding, neighborhood revitalization programs will deteriorate and begin regressing." Chicago officials report the cut would require them to close a health center, eliminate infrastructure improvements and postpone rehabilitation of 1250 housing units. Annapolis officials explain that "funds have already been targeted to construction of a badly needed senior center. Cuts will, at best, delay construction substantially and, at worst, extinguish the concept altogether."

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* Entitlement cities include cities of 50,000 population and above, the central city of a Standard Metropolitan Statistical Area, urban counties, and some cities "grandfathered" in that had entitlement status and lost it due to population changes.

Program Areas

Cities use their CDBG funds for a variety of purposes, including economic development, housing assistance, social services, and public works/infrastructure improvements. Over one-half (52.7 percent) of the cities reporting put more of their CDBG funds into housing than any other area. Forty of these cities use 50 percent or more of their allocation for housing. Public works/infrastructure improvements account for the next most common use of the funds, with one-fourth of the cities reporting that they use more of their CDBG funds in this area than any other. These areas are followed by economic development (14.2 percent), social services (4.1 percent) and other (4.1 percent), which includes items such as administration, planning, land acquisition, property maintenance, and recreation.

The two leading purposes switch when the areas in which cities put the second greatest amount of their CDBG funds are examined. Public works/infrastructure is first with 30.1 percent of the cities, and housing is second with 23.3 percent of the cities.

When asked which of these areas would most likely be cut as a result of the federal cut, officials in 45 cities (31.3 percent) report that cuts would be made across the board in all areas for which CDBG funds are used. Housing would be cut in over two-thirds (69.4 percent) of the cities responding. Public works/infrastructure improvements would be next, with 54.2 percent of the cities making cuts there. These are followed by cuts in economic development (in 49.3 percent of the cities), social services (in 43.8 percent of the cities) and other (in 28.5 percent of the cities).

State Restorations

Only two cities expect their state governments to provide funds to compensate for the proposed federal cut in CDBG.

URBAN DEVELOPMENT ACTION GRANT

An estimated 102,000 jobs and nearly $4.3 billion in investment in projects now being planned in 70 of the cities responding to this survey will not be realized if Urban Development Action Grants are eliminated. Of the 292 UDAG projects being planned in the cities, only nine are expected to go forward without UDAG funding. These that would not go ahead without UDAG funding involve an estimated $728 million in UDAG funds, $200.9 million in other public funds, and $3.6 billion in private investment, and would create or retain an estimated 102,000 jobs.

The elimination of Urban Development Action Grants in FY86 would result in an adverse or very adverse effect in nearly three out of every four cities responding. Thirty-seven cities (26.4 percent) would feel no effect, but at least 30 of these are not eligible for the program or have been unable to receive grants with the current highly-targeted selection criteria.

Several cities report on the contribution that prior UDAG projects have made to economic development and the local economy in their cities. In Asheville, North Carolina, tax valuations have increased by approximately $23.6 million. Tacoma has received five UDAGs for a total of $10.5 million, resulting in $82.4 million in private investment and $500,000 in new taxes. In Milwaukee the UDAG program "has been responsible for leveraging over $250 million in private investment, generating new local tax revenues and creating nearly 5000 new permanent jobs."

Beaumont, Birmingham, Davenport, and Peoria all discuss how crucial UDAGs are to their downtown development. In Davenport two downtown projects hinge on UDAG grants. Peoria officials report that "the city's plan for rebuilding its downtown and strengthening the devastated local economy would lose the major projects to achieve development success."

Syracuse reports that "virtually no other funding source for large new construction projects" exists. Flint points out that without UDAG "development activity would cease because only Fortune 500 companies or high income projects can support development at conventional interest rates." Jersey City officials, who term the elimination of UDAG "very, very, very adverse" for their city, are concerned that potential developers would be scared away. Louisville explains that blighted areas will have no gap financing as incentives for development. Evansville has "a number of vacant or under utilized industrial facilities for which UDAG-type funding is essential for the projects to be financially feasible."

Erie sees Urban Development Action Grants as "very important leveraging tools for major revitalization and economic development projects involving public/private partnerships." In Akron, UDAGs "are an essential part of the proposed financing of many major economic development projects....Many past developments would not have occurred without UDAGs." Baton Rouge officials state that the elimination of UDAG "would substantially undercut our abilities to leverage redevelopment efforts particularly in downtown and the inner city. Local governmental financing to fill this development gap is totally insufficient to address this revitalization effort in any meaningful way."

State Restorations

Only two cities expect their state governments to provide funds to compensate for the elimination of the UDAG program.

PUBLIC TRANSIT

Based on the survey, cities face sharply higher transit fares, fewer transit vehicles, reduced service -- and in a substantial number of cases, shutdown of their transit system -- if the Administration's proposed FY86 transit budget is enacted.

The Administration seeks a two-thirds cut in the nation's program of transit assistance. Under its proposal, the transit formula block grant program -- appropriated at $2.4 billion in FY85, would be completely eliminated. The one-cent federal gasoline tax, which yields $1.1 billion annually earmarked for transit discretionary expenditures, would be all that would remain under this proposal. Under the Administration's plan, it would be distributed by formula, replacing the current formula program. But even after this two-thirds reduction, no funding would be permitted for operating assistance or new rail starts. The required local match would rise from 20 to 30 percent.

The impacts of this proposal on cities would be stark. Although most transit in cities is operated by regional transit authorities and not by cities directly, 75 percent of cities responding to this survey were able to provide information regarding impacts on transit in their cities.

Fare Increases

Of the cities responding in the transit area, 83 percent report that fares will increase if the transit cut is passed.

Not every city can specify the precise range of the fare increase, but some 65 percent can now predict the range of increase, and these results indicate that very high transit increases would be forthcoming, as the figures below indicate:

Transit Fare Increases

Percentage Increase	Percentage of Cities Predicting Increases
1-25%	28.1%
26-50%	35.9%
51-100%	17.2%
101%-Above	18.8%

Almost 40 percent of the cities predict an increase of at least 50 percent, and about one out of five indicate that fares would at least double.

Vehicles Reductions

The proposed transit cut, which would completely eliminate operating assistance, would substantially reduce the number of transit vehicles in service. With less money to operate systems, and far fewer funds to replace worn out vehicles, cities will simply reduce fleets. Of those cities providing transit information, some 75 percent would be forced to reduce vehicle fleets, causing greater waits for service and more transit crowding and congestion, thereby reducing the overall quality of transit service.

Route Reductions

In addition to vehicle reductions, a large proportion of cities would be required to eliminate specific routes if the proposal was approved. More than 70 percent of the cities providing transit information fall into this category. Thus, whole neighborhoods or sections of cities could find transit service markedly diminished.

Service Reductions

Of those responding in the transit area, some 69 percent would be required to reduce overall transit service. But the percentage of service reduction which would be required is also revealing, as the figures below indicate:

Transit Service Reduction

Percentage Reduction	Percentage of Cities Predicting Service Reduction
1-25%	54.9%
26-50%	30.5%
51-75%	9.8%
76-100%	4.9%

All reductions of transit service have potentially serious impacts in cities. With more than 45 percent of the cities predicting overall service cut-backs of more than 25%, the mobility of U.S. transit riders is in jeopardy.

Threat of Shutdown

If the proposed transit budget cuts were enacted, most cities would deal with them through a combination of the above -- fare increases, and vehicle, route and service reductions. But for a sizable portion of cities, those measures would be insufficient to sustain their systems. Indeed, of those cities providing transit information, 38.6 percent report that their systems would be threatened with a shutdown.

New State Assistance

While the role of states in funding public transit has gradually increased in recent years, there is no belief among cities that additional state aid will be forthcoming in this area should the Administration's budget proposal be enacted. Less than eight percent anticipate new state transit aid.

WASTEWATER TREATMENT

Vastly increased local taxes and user fees, and threats to housing, community and economic development, jobs and environmental quality are anticipated in cities should the Administration's wastewater treatment proposal be enacted. The Administration proposes to phase out the $2.4 billion dollar wastewater treatment construction grants program over four years, ending eligibility now for new projects. The wastewater program, cut in half in FY81, helps cities meet federal standards under the Clean Water Act.

In most cases, metropolitan sewerage agencies, rather than the cities themselves, build and operate wastewater treatment plants. However, some 72 percent of those cities responding to the survey were able to give detailed information regarding the impact of the Administration's proposal.

Prospects for Completion of Projects

Of those cities, almost 36 percent would be unable to complete existing projects in four years if the budget proposal is enacted. With no federal assistance remaining, many cities across the nation would be left with unfinished wastewater treatment plants.

Court Orders and Decrees

Although federal funding may expire, to comply with 1988 clean water standards, many cities must finish existing plants or construct new plants because of judicial consent decrees, administrative orders or other binding contractual agreements. Of those cities providing wastewater information, 49 percent are in this category.

Tax/User Fee Increases

A clear majority of cities responding will not be able to meet their wastewater obligations without a significant increase in taxes or user fees. Indeed, 60 percent would be required to resort to significant tax increases or user fee increases to meet this obligation. The range of this local tax increase or user fee increase is difficult for most cities to currently estimate. However, some 43 percent are prepared to estimate the increases now as the figures below indicate:

Tax/User Fee Increases to Meet Wastewater Needs

Percentage Increase	Percentage of Cities Predicting Increases
1-25%	57.1%
26-50%	22.4%
51-75%	2.0%
76-100%	8.2%
100%-Above	10.2%

Thus, almost 43 percent of these cities predict tax or user fee increases of more than 25% to meet wastewater needs.

Impacts of Inability to Meet Needs

If cities cannot complete existing projects or construct new projects, this will have significant effects on housing, community development, economic development, jobs and environment quality. Wastewater treatment capacity is an essential element to achieving each of these key urban goals.

Not all cities can now provide information in this area. But of those providing wastewater information, 65 percent did provide information on the nature of these impacts. That information is summarized in the figures below.

Impact of Inability to Meet Wastewater Needs

Areas of Impact	Percentage of Cities Predicting this Impact
Housing	63.5%
Community Development	68.9%
Economic Development	77.0%
Jobs	68.9%
Environmental Quality	94.6%

Virtually all cities in this category reported multiple impacts from a failure to meet wastewater needs.

State Aid

Although funding for wastewater treatment is passed by the federal government to cities through state governments, less then four percent of cities providing wastewater information anticipate increased aid from states in this area.

ASSISTED HOUSING

Waiting lists for assisted housing are expected to lengthen in 93 percent of the cities responding, and the proposed moratorium on all new units of assisted housing will have an adverse or very adverse effect on the availability of housing affordable by low income people in nearly nine out of every 10 cities responding. Nearly one-half (46 percent) of the cities expect the effect to be very adverse; another 42.3 percent of the cities expect the effect to be adverse. Sixteen cities indicate there will be no impact.

Among the cities responding to the housing questions, 32,984 units of federally assisted housing were allocated during FY84. These include 16,175 Section 8, units, 2,494 Section 202 units, 5,344 public housing units, and 8,971 units under the rental rehabilitation program.

Units Needed

The number of new assisted units that cities need varies significantly. Evansville cites a need of 100 units annually. Caguas, Puerto Rico reports that "over 500 units of housing are needed each year to compensate housing needs in our community. Without this assistance affordable housing would be greatly affected." San Juan "has a present demand of 20,000 housing units per year. This coupled with 47.4 percent of the families below the poverty level (1980) in San Juan makes this proposal very detrimental for our city." Charleston officials comment: "Elimination of the funds would keep us from adding new units. We currently have over 1800 families on the waiting list. The two year moratorium of subsidies may make the projects unattractive for private developers." In Kansas City "the Section 8 program is about 2000 households. A moratorium on housing assistance will exacerbate this problem."

Growth Cities

Two growing cities point out particular housing needs. Reno explains that "because of current expansion in the casino industry, which employs large numbers of low income staff, there will not be housing available to meet needs." Tempe is experiencing rapid population growth, with a concomitant need for an increase in assisted housing.

Discussing assisted housing, Honolulu officials state: "That's one of our highest priority items -- a big problem already. We need more -- not less -- low income housing." Hayward officials point out that "Section 8 is the ONLY means of helping the 'truly needy' -- disabled, elderly, women and children who have been abandoned." Finally, "Grand Forks already has a long waiting list for assisted housing. Cuts in this program would impact low income people who cannot afford safe and decent housing. It would also seriously affect our efforts to revitalize the central business district through rehabilitation of existing units," according to officials in that city.

Public Housing Modernization

The one year elimination of funds for modernizing public housing projects, with limited funds available only for emergencies, would have an adverse effect on 43.2 percent of the cities responding and a very adverse effect on another 33.3 percent. Thirty-three cities (23.4 percent) report that the proposal would have no effect on their public housing.

Waiting Lists

The proposed moratorium would lengthen the waiting lists for assisted housing in 93 percent of the cities responding.

The average waiting list for Section 8 units in the cities responding is 26.3 months. Twenty-nine cities have a wait for Section 8 of three years or more. Miami and Rockford each report waiting lists of 12 years. Only seven cities have waiting lists for Section 8 of six months or less.

The average waiting list for Section 202 is 18 months. Twenty cities have a wait of 24 months or more for this program. Jamestown tops the list with a wait of 60 months, with Oak Park, Michigan, Reno and San Francisco following with 36-month waits. Twenty-one cities have a wait for 202 housing of six months or less.

For public housing the average waiting list is 23.9 months. Fourteen cities have a wait of 36 months or more for public housing, with a 10-year wait in Washington, D.C., and 106 months in Mankato, Minnesota. Seventeen cities have a waiting list of six months or less for public housing.

Housing Development Action Grants

Forty-one of the survey cities are currently planning a total of 91 projects for Housing Development Action Grants. These projects would add over 8,992 units to the existing housing stock, with 46.9 percent of them, on average, for low income people.

State Restrictions

Only four cities expect their state governments to provide funds to compensate for the proposed federal moratorium on new units of assisted housing.

LOAN PROGRAMS

The effect of the elimination of Section 312 rehabilitation loans, Section 108 loan guarantees, the Small Business Administration's loan programs and the loan and grant programs of the Economic Development Administration would be adverse in 44.2 percent of the cities responding to the survey, and very adverse in another 39.1 percent. While 23 cities indicate the elimination of these programs would have no effect, only five of these cities -- Cedar Rapids, Columbus, Dallas, Iowa City and Sunrise, Florida -- have used any of the loan programs in the last year.

Comments by the cities responding show the varied uses and the importance of these loan programs:

- Akron: "Housing rehabilitation, business loans and economic development will be severely cut back. This will have a strong negative effect on the city."
- Asheville, North Carolina: "Over 125 homeowners have been assisted with Section 312 funds over recent years. The SBA 503 program has assisted five local businesses; three loans are pending."
- Beaumont: "We use them all and rely on them."
- East Chicago: "It would curtail the city's ability to assist owners in providing standard housing for low and moderate income residents.
- Erie: "Housing rehabilitation and small business would be drastically affected."
- Flint: "Small business expansion and new business start-ups would virtually cease in non high-tech areas."
- Grand Forks: "EDA has made it possible to develop the foreign trade zone. Section 312 cuts would impact central business district redevelopment. In these days of tight money SBA is a must. All of these programs create jobs, add to the tax base and are cost effective."
- Hartford: "If SBA loans are eliminated we would not be able to run our matching program....The number of loans the City makes will be reduced as the monetary value of the loans increases."
- Jamestown: "We have heavily utilized the EDA programs to attempt to rebuild our infrastructure and would definitely be hurt by EDA's proposed elimination. Many small business deals would also not happen if SBA were totally eliminated."

- Kansas City, MO: "Kansas City is in the midst of a revitalization program that relies on these loans. It would be extremely unlikely that the private sector could justify making loans in these areas without guarantees. Also, loss of SBA loans would be extremely harmful to economic development."

- Lubbock: "There is a critical need for this type of assistance for low and moderate income people in Lubbock."

- New Orleans: "These programs are critical to housing and economic development activity in the inner city. The city loses its ability to leverage private financing. The City-wide Development Corporation reports over $4 million SBA loans leverage over $7 million in private financing with a job impact of 1,107 jobs. EDA funds of $1.5 million generated over $4.5 million in private money for 405 jobs.

- Reno: "If SBA loans are eliminated, it will adversely affect the tax base and eliminate new jobs and business opportunities."

- Syracuse: "Economic growth would virtually cease."

Section 312

Over half (57.5 percent) of the cities responding to the survey used Section 312 loans last year. These loans came to $33.9 million and involved 3,567 housing units.

Section 108

Section 108 loan guarantees were used by 17.5 percent of the cities during FY84. Nineteen cities were able to guarantee $204 million in loans with the program.

Economic Development Administration

Loans or grants from the Economic Development Administration went to 44.4 percent of the responding cities during FY84. These came to over $38 million.

State Restrictions

Only two states expect their state governments to provide funds to compensate for the proposed elimination of federal loan programs.

EMPLOYMENT & TRAINING

Over 37,000 young people would be forced from jobs programs this summer in 77 of the survey cities because of the proposed recession of $100 million from the 1985 summer youth employment program. All of the proposed cuts in the Job Training Partnership Act -- elimination of the Job Corps and cuts in the summer youth employment and the dislocated worker programs -- would have an adverse effect on 45 percent of the cities responding, and a very adverse effect on another 35.2 percent. Twenty-four cities indicate the proposals would have no effect on their cities. All but six of these cities, however, are in large area consortiums and do not administer Job Training Partnership Act programs directly.

Several cities say the proposed cuts come on top of reductions already sustained in employment and training programs. Charleston officials point out that "a 10 percent decline has already occurred in the number of youth we can help. Continued reductions will only serve to put more youth on the street since alternate employment is not available." Cedar Rapids has the "same chronic unemployment as four years ago, with only one-fifth of the revenues available."

Peoria officials explain why the cuts would be very adverse for their city: "We are currently suffering 14 percent unemployment in real terms. Our economy is in an industry transition -- from heavy manufacturing to service type jobs. This requires more job training and relocation services to improve employment in the area." Akron officials are concerned that they will "not serve as many youth that work in the summer, generating income for their education. We have a large number of dislocated workers who will not be able to be served. These are people who won't be served by other programs." In Kansas City, Missouri, "fewer disadvantaged individuals who lack the training and skills necessary to enter the labor force will receive the training to enable them to obtain gainful employment."

A number of cities comment on the particular effect the proposed cuts would have on young people:

- Grand Forks: "The summer youth program has been very helpful. Young people have been used to cleanup a blighted area along the edge of the central business district."
- Flint: "No other program serves the 14 and 15 year olds included in the employment development service portion of the JTPA summer youth employment program."
- East Chicago: "There are no jobs available for the youth as industry is laying off more and more workers."
- Reno: "Proposed cuts in Job Corps and the summer youth employment program will not allow the city to serve disadvantaged youth properly in this area. There will be more youths on the streets with no positive force in their lives."

- Louisville: "Youth unemployment is at extraordinary proportions. Unemployment relates to crime, vandalism, arson and suicide."

- Mobile: "Cuts will probably result in a crime increase."

Job Corps

Since Job Corps sites are not administered by cities, many of those responding are unable to estimate the number of young people in their city who are served by the program. Forty-six cities did have this information, however, and they estimate that nearly 16,000 young people from those cities are served by the program. Alternative services for the young people in Job Corps would be available in just under one-third (31.9 percent) of the cities responding. In over two-thirds of the cities, such services would not be available.

Many of the comments on the effect that the elimination of Job Corps would have on the young people it serves reflect the fact that the program serves an often troubled population:

- Evansville: "They would turn to other programs which are also being cut back or they would become offenders again. (Job Corps = exoffenders)"

- Columbus: "The program serves delinquents and 'pre-delinquents.' Some would end up in the correctional system."

- Milwaukee: "Social and income maintenance costs would increase."

- Hartford: Elimination of the program "will increase unemployment and our welfare caseload."

- Jamestown: "They will end up in the adult criminal justice system or social services child protection."

- Tacoma: "Job Corps represents the last stop for many of these youths. Jobs Corps is the only thing that keeps them away from an environment that has prevented them from being successful."

Summer Youth Employment

Proposed cuts in the summer youth employment program would force 37,205 young people in 77 of the survey cities from the program this summer and 39,060 young people in 73 cities from the program next summer. In over four out of five cities (84 percent) alternative services for these young people will not be available.

In commenting on what would happen to the young people forced from the program, several cities highlight the importance of the program to a low income family's income and to the young person's education. Allentown points out that the "loss of income could jeopardize education." Seattle officials explain that the city "will have no structured program for them and they probably won't be able to get jobs for the summer. For some children this is serious because they need the money earned in the summer to help pay school costs." Cedar Falls expects that low income families will be particularly hard hit. Iowa City comments that "many of them support themselves or their families."

Others are concerned about the lack of constructive activity. In Columbus "many will end up in 'unstructured environments' -- the city would attempt to attract these youths to recreational programs." Miami and Muncie both comment that young people forced from the summer jobs program will be idle. Chicago officials are concerned that "they would be enticed to join gangs since they would have nothing else to do."

State Restrictions

Only three cities expect their state governments to provide funds to compensate for the proposed federal cuts in employment and training programs.

HEALTH

Based on survey responses, proposed cuts in federal health outlays in FY86 will negatively affect the nation's cities and the people who live in them. From Louisville to Lubbock, from Tacoma to East Orange, from Peoria to Caguas, there is deep concern over the Administration's plans to reduce funding for Medicaid, health block grants and categorical health programs. There is fear that the incidence of infant mortality, childhood diseases, tuberculosis and sexually transmitted diseases will rise -- an effective demonstration of failing health. There is fear that people in need of health care will not receive it. And there is concern that costs of health care will be shifted to local governments.

Eighty percent of all respondent cities with local health departments said they expect an increase in local health costs as a result of such cost shifting.

Medicaid

Seventy percent of cities surveyed said the Administration's plans to cap Medicaid payments to the states will produce reductions in locally available health services or in the number of people who receive care. Sixty-five percent of the cities project cuts in both -- quantity of health services and numbers of people served.

While some cities do not expect Medicaid cuts to directly impact local government, many of them believe there will be an indirect impact. Grand Forks, for instance, said a ripple effect would occur, with other local agencies feeling the pinch. One Pennsylvania city suggested the proposed Medicaid cuts would further reduce the already small number of physicians willing to accept Medicaid patients.

Incidence of Disease

The survey asked cities to indicate if they anticipated an increase in infant mortality, childhood diseases, tuberculosis or sexually transmitted diseases as a result of health funding cuts. About 69 percent foresee a rise in at least one of these categories. More than half said there would be an increase in all four health indicators, meaning a worsening in the city's health status:

- Sexually transmitted disease rates will increase in 67 percent of the cities
- Childhood disease rates will increase in 64 percent
- Infant mortality rates will increase in 62 percent
- Tuberculosis rates will increase in 60 percent

State Restorations

Fewer than four percent of the cities surveyed said they expect the state to provide funding to compensate for any portion of anticipated federal funding cut-backs. In all but two cases, the cities estimated the state restoration as too small to calculate.

CITY FISCAL CONDITIONS

The vast majority of responding cities say they raised revenues or reduced services last year to achieve a balanced budget. A total of 91 percent of the cities said they were forced to take some action. Thus, many painful budget decisions have already been made by cities -- decisions which continue to affect their revenue and expenditure patterns in the current fiscal year.

Of the total number of cities responding

- 49 percent said they raised user fees last year
- 41 percent laid off workers or instituted hiring freezes
- 28 percent enacted property tax increases
- 40 percent were forced to cut services
- 11 percent enacted other tax increases
- 20 percent instituted other changes.

These other changes include speedups of tax collections, cancelling large purchases, fund transfers and a myriad of smaller tax increases.

For this fiscal year, most cities say they are currently predicting a balanced budget. Cities are required by law to balance their budgets. Yet, city expectations of budget balances are contingent on continuing federal aid. Otherwise, additional service cuts or revenue increases will have to be made by these cities soon.

Many of the cities now face a more difficult and more uncertain future because their fiscal years differ from the fiscal year of the federal government. For example, a large number of cities have fiscal years extending from January 1 to December 30, which means their FY85 budgets could be substantially affected by FY86 federal budget cuts which would be effective on October 1.

Of the 22 percent of the survey cities forecasting a budget surplus this fiscal year two out of three have already committed the funds to ongoing services or to the pay-back of prior year deficits. On average, these surpluses comprise 4.3 percent of total city revenues.

Nine percent of the cities responding must take action to avert a deficit this year. On average, the deficits to be overcome represent 8.5 percent of the total city revenues.

STATE AID

The overwhelming majority of cities -- a total of 85 percent -- say they expect no additional funds whatsoever from their states to compensate for the federal budget cuts. Thirteen percent expect their state to provide some funds.

In general, the percentages of cities expecting additional state aid in specific program areas are quite low: Eight percent of the cities expect additional state aid for transportation, 6 percent for health, 4 percent for assisted housing, 4 percent for wastewater treatment and still lower percentages for Community Development Block Grants, Urban Development Action Grants, employment and training and loan programs.

Very few cities could estimate what percent of the federal program cuts might be made up by the states. Those who did predicted very low percentages in virtually all program areas.

There was little correlation of city expectations of additional aid within a state -- that is, while one city in a state would expect additional state aid to compensate for transit (or other) losses, other cities in that state usually would not.

The percentage of cities expecting state aid to compensate for the elimination of general revenue sharing (reported in the "General Revenue Sharing" chapter of this report) was still lower. A total of 94 percent of the cities said they did not expect any additional state help whatsoever to compensate for the loss of revenue sharing.

CITY REVENUES

Fifty-one percent of the cities responding to the Conference of Mayors survey said they would raise local revenues to compensate for some of the proposed federal budget cuts. (For general revenue sharing the percentage is much higher -- 68 percent). Another 49 percent said they would not, either because they are constrained from doing so by state law, have high tax burdens already, or because of the unlikelihood of getting approval from voters, city councils or state legislators. In addition, some of these cities said they would be forced to borrow additional funds in the bond market or take other actions to adjust. Only 3 percent said they would be able to absorb the cuts in some relatively painless way.

Because this was a tax question dealing only with whether cities intend to compensate for the federal budget cuts by raising their own revenues, it does not specifically cover any of the other mechanisms they may use to adjust to such cuts -- service cuts, layoffs, etc.

The major revenue increases cited by respondents were predominantly user fees and property tax increases. To a lesser extent, cities predicted other adjustments, sales tax increases, income tax hikes and other actions.

The table below shows the percentages of the cities that said they would raise specific types of taxes. As can be seen, of those who said they would increases taxes, 53 percent said they would increase user fees for wastewater treatment, and 45 percent would increase them public transit. These programs lend themselves fairly well to user fees, while other programs do not. Of those saying they would raise other taxes, 26 percent said they would increase property taxes to compensate for part of the loss of Community Development Block Grants, 20 percent to compensate for health, 19 percent for transit, 14 percent for wastewater treatment. Most of the cities responding cited more than one revenue increase that they would be forced to make. Consequently, the percentage totals add to more than 100 percent.

Percent of Cities Intending to Raise Taxes to Compensate for Federal Cuts

	Property Tax	Sales Tax	Income Tax	User Fees	Other
Assisted Housing	12%	3%	1%	4%	4%
Community Development Block Grant	26	4	3	4	9
Urban Development Block Grant	8	0	0	0	4
Loan Programs	7	0	0	3	4
Employment & Training	9	0	0	4	1
Health	20	1	0	18	7
Public Transit	19	7	0	45	5
Wastewater Treatment	14	1	0	53	9
Other	16	3	3	14	7

TREASURY DEPARTMENT TAX PROPOSALS

The vast majority of cities predict major adverse consequences for their localities if some of the Treasury Department's tax proposals are adopted.

Curbs on Municipal Bonds

The response to the Treasury Department's proposed curbs on "private purpose" municipal bonds is almost completely negative, with all but one city citing at least one project or effort which would be affected.

Negative effects were cited by

- 90 percent on economic development activities
- 55 percent on infrastructure
- 49 percent on low income housing
- 25 percent on resource recovery
- 25 percent on airports
- 18 percent on nonprofit and private hospitals
- 13 percent on other projects.

The "other" category included renovation of historic buildings and areas, neighborhood and business revitalization, single-family mortgage revenue bonds, social service programs, park development and an increase in interest costs for nearly all city projects.

Elimination of Deductibility

An overwhelming 87 percent predicted that elimination of deductibility of state and local taxes would make it very difficult to raise local taxes, would lead to declining real estate values, or have other negative effects. These "other effects" include increased pressure to reduce taxes, a slowdown in economic development, increased condo conversions and a shift from taxes to user fees. Only nine percent of the sample said there would be no effect and another two percent said they did not yet know the precise effects.

Elimination of Tax Credits

A sizeable majority of the cities also predict that elimination of rehabilitation and historic tax credits -- as proposed by the Treasury Department -- would be adverse or very adverse for their cities. A total of 80 percent say the results would be adverse of very adverse; 20 percent say there would be virtually no effect.

Most of the cities had some knowledge of public-private projects using the rehabilitation tax credits -- those where there is some investment or participation by the city. Few, were however, aware of the private-only projects which might be using the credits.

Elimination of Charitable Deductions

A total of 85 percent of the cities said that the availability of private and nonprofit social services would suffer as a result of the Treasury plan to curb charitable contributions.

APPENDICES

APPENDIX A

PLEASE MAIL THIS QUESTIONNAIRE NO LATER THAN CLOSE OF BUSINESS, MONDAY, FEBRUARY 25, 1985 TO THE U.S. CONFERENCE OF MAYORS

Do you wish the information in this questionnaire held confidential?
___Yes ___No CITY______________________

THE IMPACT OF THE PROPOSED FY86 BUDGET ON CITIES

1. **General Revenue Sharing**

a) The Administration's budget proposes to eliminate General Revenue Sharing in FY86. What percentage of your city's total revenues including all intergovernmental grants is accounted for by the revenue sharing program?__________%

b) If revenue sharing is eliminated, what is your city's likely course of action? Check the appropriate items below.

Cuts in Services
___Public safety (police and fire)
___Human services
___Sanitation
___Capital improvements
___Health services
___Other (explain)______________________________
___None

Tax Increases
___Property taxes
___Income taxes
___User fees
___Sales taxes
___Other tax hikes (explain)____________________

Other Actions (explain)________________________
____
____

c) Do you expect your state government will make up for any of the cut in revenue sharing funds? ___Yes ___No
If yes, what percentage?__________________%

2. **Community Development Block Grant**

a) The Administration's FY86 budget proposes a 10 percent cut in CDBG and a change in the entitlement cities/small cities ratio from 70/30 to 60/40. This translates into a proposed 23 percent cut for entitlement cities and a possible 10 percent cut for small cities. What will be the effect of this cut on community development in your city?
___None ___Adverse ___Very Adverse

CITY____________________

Explain____
____
____

b) Show the percentage of your CDBG that goes into each of the following areas.
Economic Development________________%
Housing Assistance__________________%
Social Services_____________________%
Public Works/Infrastructure_________%
Other_______________________________%

c) Which of the areas listed above would most likely be cut in your city as a result of the federal cut?__________
____

3. **Urban Development Action Grants**

a) The federal budget proposes to eliminate UDAGs beginning in FY86. What would be the effect of the elimination of the program in your city?
___None ___Adverse ___Very Adverse

Explain____
____
____

b) How many projects eligible for UDAG funding is your city now applying for or planning to apply for? ______

c) How many dollars in the following categories do these projects involve?
UDAG $____________________
Other public $______________
Private $__________________

d) How many jobs would these projects create in your city?
____

e) How many of these projects do you expect to go ahead without UDAG funding?______________________________

4. **Public Transit**

The proposed FY86 budget calls for a two-thirds reduction in transit assistance, which would include a total elimination of federal operating assistance and a rise in the local matching share from 20 to 30 percent. The combined effect of this proposal would mean a loss of most of the federal capital assistance as well as all of the transit operating assistance to your urban area. If this budget were approved:

CITY________________________

a) Would the fares charged by your transit system increase?
___Yes ___No If yes, by what percent?___________%

b) would there be a reduction in the number of transit vehicles in service? ___Yes ___No

c) Would there be a reduction in routes? ___Yes ___No

d) Overall, what percentage of transit service would be reduced? ________% reduction of service

e) Would the transit system in your city be threatened with a shutdown? ___Yes ___No

5. **Wastewater Treatment Construction Grants**

The proposed FY86 budget calls for a four year phaseout of wastewater treatment construction grants, with a likely schedule to be a 25 percent reduction in each of the next four years. During those four years, federal funding would only be available for completing existing projects. Beginning in FY86 no funding would be available for new projects. If this budget were enacted:

a) Would your city be able to complete existing wastewater treatment facilities in four years, given a 25 percent reduction in each of the next four years? ___Yes ___No

b) Is your city operating under a consent decree, administrative order or other binding contractual agreement to comply with FY88 clean water standards?
___Yes ___No

c) In the absence of federal funding, will your city be able to meet these obligations without a significant increase in taxes or user fees? ___Yes ___No
Estimate the percent of tax or user fee increase required
________________%

d) Would the inability to complete an existing project or construct a new project have a negative impact on (check if relevant)
___Housing
___Community development
___Economic development
___Jobs
___Environmental quality

6. **Assisted Housing**

a) The FY86 budget proposes a moratorium on all new units of assisted housing. What will be the effect of this moratorium on the availability of housing affordable by low income people in your city?
___None ___Adverse ___Very Adverse

CITY____________________

Explain ____

____

____

b Funds for the modernization of public housing, other than for emergencies, would be eliminated for one year. What would be the effect of this action on public housing in your city?
___None ___Adverse ___Very Adverse

c. What is the current waiting list for the following types of assisted housing in your city?
Section 8____________months
Section 202____________months
Public Housing__________months
What will be the effect of the proposed moratorium on these waiting lists? ___None ___They will be lengthened.

d. How many units did your city receive in each of the following categories of assisted housing in FY84?
Section 8____________________
Section 202____________________
Public Housing__________________
Rental Rehabilitation__________

e. How many projects eligible for Housing Development Action Grants is your city now applying for or planning to apply for?____
How many total units are involved?__________________
What percentage of these units are for low income people?
________________________________%

7. **Loan Programs (Section 312, Section 108, EDA, SBA)**

a) The FY86 budget proposes to eliminate Section 312 rehabilitation loans, Section 108 community development loan guarantees, the Small Business Administration's loan programs and the loan and grant programs of the Economic Development Administration. What would be the effect on your city of the elimination of these programs?
___None ___Adverse ___Very Adverse

Explain ____

____

____

b) Did your city use the Section 312 loan program last year?
___Yes ___No
If yes, how much money and how many units were involved?
$____________ ________________units

CITY____________________

c) Did your city use Section 108 loan guarantees during FY84?
___Yes ___No
If yes, how much money was guaranteed by this program in your city last year? $____________

d) Did your city receive funds from the Economic Development Administration during FY84? ___Yes ___No
If yes, how much? $______________________

8. **Employment and Training**

a) The FY86 budget proposes to eliminate the Jobs Corps, to cut the summer youth employment program by $100 million (12 percent) in FY85 and by another $60 million (19.4 percent in total) in FY86, and to cut the dislocated worker program by $120 million in FY85 (51 percent) and by another $15 million (57 percent in total) in FY86. What will be the effect of these cuts on your city?
___None ___Adverse ___Very Adverse

Explain ____
____
____

b) How many young people in your city are served by the Jobs Corps?____________
Are alternative services available to them in your city?
___Yes ___No
What will happen to these young people if the program is eliminated?______________________________
____
____

c) How many young people in your city will be forced from the summer youth employment program if it is cut this summer?
__________ next summer?__________
Are other jobs programs available for them? ___Yes ___No
What will happen to these young people?______________
____
____

9. **Health**

a) The FY86 budget proposes to cut $1.1 billion from the Medicaid program, capping federal matching payments to the states. Do you anticipate a reduction in services or a reduction in the number of people served as a result? (Check if appropriate)
Services cut ___Yes ___No
People cut ___Yes ___No

CITY____________________

b) The FY86 budget proposes to freeze health block grants (maternal and child health, prevention, primary care, and alcohol, drug abuse and mental health) at FY85 levels and to cut various public health programs such as immunization, tuberculosis control, and sexually transmitted disease control. Do you expect the incidence of infant mortality, childhood diseases, tuberculosis, or sexually transmitted diseases to rise as a result?
Infant mortality ___Yes ___No
Child diseases ___Yes ___No
Tuberculosis ___Yes ___No
Sexually transmitted diseases ___Yes ___No

c) Does your city operate a local health department?
___Yes ___No
If yes, will it experience an increase in local costs as a result of a shifting of costs and responsibilities for services from other local providers? ___Yes ___No

10. Will your city government be able to raise local revenues to compensate for any of the federal cuts described in questions one through nine? ___Yes ___No

If yes, check below for which program areas and by which kind of tax your city would raise local revenues

	Property Tax	Sales Tax	Income Tax	User Fees	Other
Assisted Housing					
CDBG					
UDAG					
Loan Programs					
Employ. & Train.					
Health					
Public Transit					
Wastewater Treat.					
Other Programs					

11. Do you expect your state government to provide funds to your city to compensate for the cuts? ___Yes ___No

If yes, please check those program areas for which you expect your state to provide funds and indicate the percentage of the cut you expect the state to restore.
___Assisted Housing_______________%
___CDBG_______________%
___UDAG_______________%
___Loan Programs_______________%
___Employment and Training_______________%
___Health_______________%
___Transportation_______________%
___Wastewater Treatment_______________%

CITY______________________

12. **Surplus/Deficit**

a) For the current fiscal year are you now facing an
___operating budget deficit,
___operating budget surplus, or
___balanced budget?

b) If you are facing a surplus or a deficit, what percent of total revenues does this represent?______%

c) If you expect a surplus this year, is this surplus already committed to ongoing services? ___Yes ___No

d) What is your city's fiscal year?________________________

e) Check which budget adjustment, if any, your city made in the last fiscal year to achieve a balanced budget.
___Property tax increases
___User fee increases
___Income tax increases
___Other tax hikes
___Service cutbacks
___Hiring freezes or layoffs
___Other (explain)_______________________________________

13. **Tax Proposals**

The Treasury Department has proposed a tax plan which proposes to end the tax exemption of all private purpose bonds, to curtail the charitable contribution deduction, to eliminate all rehabilitation and historic preservation tax credits and to eliminate the deductability of all state and local taxes, including property taxes.

a) Check the types of projects that would be jeopardized in your city if the exemption for private purpose bonds is terminated.
___Infrastructure projects
___Resource recovery
___Airports
___Ports
___Low income housing
___Hospitals
___Economic development activities
___Other (explain)_______________________________________

b) What would be the effect in your city of terminating all rehabilitation and historic tax credits?
___None ___Adverse ___Very Adverse
How many projects are currently pending in your city for which you plan to make use of these tax credits? ________

CITY____________________

c) Will social services in your city be adversely affected by Treasury's plan to curtail the charitable contribution deduction?

___Yes   ___No

d) What do you expect will be the result in your city if the current deduction for state and local taxes were eliminated?

___More difficulty raising local taxes
___Adverse effect on real estate values
___Other effect (explain)____________________
___NO effect

PERSON COMPLETING QUESTIONNAIRE
Name____________________
Title____________________
Agency____________________
Address____________________

Telephone_(   )____________________

PLEASE MAIL THIS QUESTIONNAIRE NO LATER THAN CLOSE OF BUSINESS MONDAY, FEBRUARY 25, 1985 TO:

U.S. CONFERENCE OF MAYORS
1620 EYE STREET, N.W.
WASHINGTON, D.C. 20006

THANK YOU!

APPENDIX B: SURVEY RESPONSES FROM FIFTY SELECTED CITIES

CITY NAME	GENERAL REVENUE SHARING: Service Cuts	GENERAL REVENUE SHARING: Tax Increases	CDBG: Areas Cut	UDAG: Effect of Program Elimination	TRANSIT: Effect of Cuts. Will Fares Increase?
	A-Public Safety B-Human Services C-Sanitation D-Capital Improvement E-Health Services	A-Property Taxes B-Income C-User Fees D-Sales	A-Economic Develop B-Housing Services C-Social Serivices D-Public Works/ Infrastructure		
Annapolis, MD	A,D	A,C	B,D	none	yes
Ashland, KY	D	C	A,B,C,D	adverse	yes
Asheville, NC	D	A,C	B	very adverse	yes
Aurora, CO	—	—	A,B,C,D	none	—
Birmingham, AL	B,D	—	B	very adverse	yes
Caguas, PR	—	—	C,D	very adverse	—
Cambridge, MA	—	A	B	adverse	yes
Cedar Rapids, IA	—	A	B	none	yes
Charleston, SC	A,C,D	A,C	A,B	very adverse	yes
Cheyenne, WY	D	—	A	none	no
Chicago, IL	B,C,E	—	A,B,C,D	adverse	yes
Clearwater, FL	—	A,C	A,B	—	—
Columbus, OH	—	C	A,B,C,D	none	yes
East Orange, NJ	A,B,D	A	A,B	adverse	yes
Erie, PA	A	A	A,B,C,D	very adverse	yes
Evansville, IL	A,B,E	A,B	A,B,C,D	very adverse	yes
Flint, MI	A	A	B	very adverse	yes
Fresno, CA	D	—	—	adverse	yes
Greenville, SC	D	A,C	—	adverse	yes
Hartford, CT	—	A	—	very adverse	yes
Hermitage, PA	D	A	B	none	—
Iowa City, IA	B,D	A,C	B	none	yes
Jamestown, NY	A,B	A,C	A,B,C,D	very adverse	yes
Juneau, AK	—	A,C	—	—	no
Lafayette, IN	A,D,E	A,C	A,D	adverse	yes

CITY NAME	GENERAL REVENUE SHARING		CDBG	UDAG	TRANSIT
	Service Cuts	Tax Increases	Areas Cut	Effect of Program Elimination	Effect of Cuts. Will Fares Increase?
	A-Public Safety B-Human Services C-Sanitation D-Capital Improvement E-Health Services	A-Property Taxes B-Income C-User Fees D-Sales	A-Economic Develop B-Housing Services C-Social Serivices D-Public Works/ Infrastructure		
Louisville, KY	C,D	--	B,D	adverse	yes
Lubbock, TX	D	A,C	B,C	very adverse	yes
Madison, WI	D	A,C	A,B	adverse	yes
Mankato, MN	A,D	A,C	--	none	yes
Miami, FL	A,B,C	--	C	very adverse	--
Milwaukee, WI	A,C,E	A	A,B,C,D	very adverse	yes
Mobile, AL	D,E	--	B	none	yes
New Orleans, LA	--	--	A,B,C,D	adverse	no
Norfolk, VA	B,C,D,E	A,C	B	adverse	no
Oak Park, MI	A,B	--	A,B,C,D	very adverse	yes
Orem, UT	A,D	A	B,C	none	yes
Pawtucket, RI	A,C,D	A	A,B,C,D	adverse	yes
Peoria, IL	A,D	--	B,C	very adverse	yes
Rochester, MI	D	A	A,C	none	yes
St. Louis, MO	--	--	B	very adverse	yes
San Francisco, CA	B,D	--	A,B,C,D	very adverse	no
Seattle, WA	--	--	--	adverse	yes
South Bend, IN	--	A	A,B,C,D	adverse	yes
Spokane, WA	A,B,D	C	B,C	none	yes
Syracuse, NY	--	A	A,B,C	very adverse	--
Tacoma, WA	A,B,C	--	C	adverse	yes
Tempe, AZ	--	--	B	none	yes
Toledo, OH	B,C,D,E	--	B,C	very adverse	--
Trenton, NJ	A	A	B,C	very adverse	yes
Tuscon, AZ	--	--	A,B,C	adverse	yes

CITY NAME	WASTEWATER TREATMENT	HOUSING	LOANS	EMPLOYMENT & TRAINING	HEALTH
	Able to complete existing projects in 4 years?	Moratorium. Will waiting list for new units be lengthened?	Effect of elimination of loan programs (SBA, Sec. 132, 108, EDA)	Effect of elimination/cuts (Summer Youth Employment and Dislocated Worker)	Will services be cut due to Medicaid cut?
Annapolis, MD	no	yes	adverse	adverse	--
Ashland, KY	no	yes	very adverse	none	--
Asheville, NC	no	yes	very adverse	--	--
Aurora, CO	--	yes	adverse	adverse	yes
Birmingham, AL	--	yes	adverse	very adverse	no
Caguas, PR	no	yes	very adverse	--	--
Cambridge, MA	--	yes	very adverse	very adverse	yes
Cedar Rapids, IA	--	yes	none	very adverse	--
Charleston, SC	yes	yes	very adverse	very adverse	--
Cheyenne, WY	yes	--	none	none	--
Chicago, IL	--	--	adverse	--	--
Clearwater, FL	yes	--	adverse	none	--
Columbus, OH	yes	no	none	--	no
East Orange, NJ	yes	yes	very adverse	adverse	yes
Erie, PA	--	yes	adverse	very adverse	yes
Evansville, IL	yes	yes	very adverse	very adverse	yes
Flint, MI	yes	yes	very adverse	very adverse	yes
Fresno, CA	yes	--	--	adverse	--
Greenville, SC	--	--	adverse	--	--
Hartford, CT	--	yes	very adverse	very adverse	yes
Hermitage, PA	yes	--	adverse	--	--
Iowa City, IA	no	yes	none	adverse	--
Jamestown, NY	no	yes	very adverse	adverse	yes
Juneau, AK	yes	--	none	--	no
Lafayette, IN	no	yes	none	very adverse	yes

CITY NAME	WASTEWATER TREATMENT Able to complete existing projects in 4 years?	HOUSING Moratorium. Will waiting list for new units be lengthened?	LOANS Effect of elimination of loan programs (SBA, Sec. 132, 108, EDA)	EMPLOYMENT & TRAINING Effect of elimination/cuts (Summer Youth Employment and Dislocated Worker)	HEALTH Will services be cut due to Medicaid cut?
Louisville, KY	no	yes	very adverse	adverse	yes
Lubbock, TX	yes	yes	very adverse	adverse	yes
Madison, WI	yes	yes	adverse	adverse	yes
Mankato, MN	yes	yes	adverse	none	--
Miami, FL	--	yes	very adverse	very adverse	yes
Milwaukee, WI	yes	--	very adverse	adverse	yes
Mobile, AL	yes	yes	adverse	adverse	--
New Orleans, LA	no	yes	very adverse	adverse	yes
Norfolk, VA	yes	yes	very adverse	adverse	yes
Oak Park, MI	no	yes	very adverse	very adverse	yes
Orem, UT	yes	--	--	adverse	yes
Pawtucket, RI	no	yes	very adverse	adverse	yes
Peoria, IL	no	--	very adverse	very adverse	yes
Rochester, MI	yes	--	adverse	none	--
St. Louis, MO	no	--	very adverse	very adverse	--
San Francisco, CA	no	yes	adverse	adverse	no
Seattle, WA	yes	--	very adverse	very adverse	yes
South Bend, IN	yes	yes	adverse	very adverse	yes
Spokane, WA	yes	yes	adverse	adverse	yes
Syracuse, NY	--	yes	very adverse	very adverse	--
Tacoma, WA	yes	yes	very adverse	adverse	yes
Tempe, AZ	--	yes	--	--	--
Toledo, OH	--	--	very adverse	--	--
Trenton, NJ	no	yes	very adverse	very adverse	yes
Tuscon, AZ	yes	yes	adverse	very adverse	--

CITY NAME	LOCAL REVENUE Can local revenue be raised to compensate for federal cuts?	STATE ASSISTANCE Will state provide funds to compensate for federal cuts?	PAST YEAR BUDGET ADJUSTMENTS A-Property Tax Increase B-User Fee Increase C-Income Tax Increase D-Other Tax Increase E-Service Cutbacks F-Hiring Freeze/Layoff	ELIMINATION OF FEDERAL TAX EXEMPTION FOR PRIVATE PURPOSE BONDS A-Infrastructure proj. B-Resource recovery C-Airports D-Ports E-Low Income Housing F-Hospitals G-Economic Development	ELIMINATION OF STATE/LOCAL TAX DEDUCTIBILITY A-More difficulty raising local taxes B-Adverse effect on real estate C-No effect
Annapolis, MD	yes	no	A,B	A,B,G	A,B
Ashland, KY	yes	no	E,F	A,F,G	A
Asheville, NC	no	no	B,D	A,C,E,G	A,B
Aurora, CO	no	no	--	--	--
Birmingham, AL	no	no	--	F,G	C
Caguas, PR	no	yes	E,F	--	--
Cambridge, MA	no	no	A	G	A,B
Cedar Rapids, IA	yes	--	--	A,C	A
Charleston, SC	no	no	A,B	A,C,D,E,F,G	A,B
Cheyenne, WY	no	no	F	--	C
Chicago, IL	no	no	B,D,F	A,C,E,G	A
Clearwater, FL	yes	no	A,B	G	C
Columbus, OH	yes	yes	--	G	C
East Orange, NJ	yes	no	A	A	B
Erie, PA	no	no	A,F	--	A,B
Evansville, IL	no	no	A	G	A
Flint, MI	yes	yes	C	A,C,E,G	C
Fresno, CA	no	no	--	A,C,E,F,G	B
Greenville, SC	yes	no	--	A	A
Hartford, CT	no	no	--	G	A,B
Hermitage, PA	--	no	C	--	A,B
Iowa City, IA	yes	no	A,B	--	--
Jamestown, NY	no	no	A,B	G	A,B
Juneau, AK	yes	yes	A,B	A,E	C
Lafayette, IN	yes	no	A,B,C	A,G	A,B

CITY NAME	LOCAL REVENUE Can local revenue be raised to compensate for federal cuts?	STATE ASSISTANCE Will state provide funds to compensate for federal cuts?	PAST YEAR BUDGET ADJUSTMENTS A-Property Tax Increase B-User Fee Increase C-Income Tax Increase D-Other Tax Increase E-Service Cutbacks F-Hiring Freeze/Layoff	ELIMINATION OF FEDERAL TAX EXEMPTION FOR PRIVATE PURPOSE BONDS A-Infrastructure proj. B-Resource recovery C-Airports D-Ports E-Low Income Housing F-Hospitals G-Economic Development	ELIMINATION OF STATE/LOCAL TAX DEDUCTIBILITY A-More difficulty raising local taxes B-Adverse effect on real estate C-No effect
Louisville, KY	no	no	--	E	--
Lubbock, TX	no	no	--	C,G	B
Madison, WI	yes	no	A,B,E,F	A,B,E,G	A
Mankato, MN	yes	yes	A,B	G	A
Miami, FL	no	no	A,B,F	A,G	A
Milwaukee, WI	no	no	A,B	E,G	A,B
Mobile, AL	no	no	D	G	A,B
New Orleans, LA	yes	no	B,D,E,F	A,B,C,D,E,F,G	A,B
Norfolk, VA	no	no	B	C,F,G	A,B
Oak Park, MI	no	no	F	A,G	A,B
Orem, UT	--	no	A,B	A,B,E,F,G	A,B
Pawtucket, RI	no	yes	A	E,G	A
Peoria, IL	no	no	--	A,G	A
Rochester, MI	yes	no	A	F,G	A,B
St. Louis, MO	no	no	F	A,B,C,E,G	A
San Francisco, CA	no	no	--	E,G	C
Seattle, WA	no	no	B	A,B,E,F,G	A
South Bend, IN	yes	no	A,E,F	A,B,C,G	A,B
Spokane, WA	yes	no	B,E	B,G	A
Syracuse, NY	no	no	A,F	E,G	A
Tacoma, WA	yes	no	E,F	G	A,B
Tempe, AZ	no	no	A,B	E,G	A
Toledo, OH	no	no	B,C	A,B,C,D,E,G	A,B
Trenton, NJ	yes	yes	A,E,F	E	C
Tuscon, AZ	--	no	A,B	E,G	B

APPENDIX C: CITIES RESPONDING TO THE SURVEY

CITY	POPULATION	CITY	POPULATION
Akron, OH	231,659	Fort Wayne, IN	167,633
Alameda, CA	63,852	Fresno, CA	244,623
Allentown, PA	104,324	Gastonia, NC	47,333
Annapolis, MD.	31,740	Grand Forks, ND	43,765
Anchorage, AK	194,675	Grand Rapids, MI	182,774
Ann Arbor, MI	104,880	Greeley, CO	53,006
Arlington, TX	182,975	Greenville, SC	58,242
Asheville, NC	53,281	Hamilton Township, NJ	82,801
Ashland, KY	27,064	Harrisburg, PA	53,264
Aurora, CO	184,372	Hartford, CT	136,334
Baton Rouge, LA	361,572	Hawthorne, CA	56,447
Beaumont, TX	123,477	Hayward, CA	94,167
Benton Harbor, MI	14,707	Hermitage, PA	17,540
Birmingham, AL	283,239	Highland Park, IL	30,611
Boston, MA	560,847	Honolulu, HI	781,899
Bountiful, UT	32,877	Houston, TX	1,725,617
Brooklyn Center, MN	31,230	Indianapolis, IN	707,655
Buena Park, CA	64,165	Inkster, MI	35,190
Caguas, PR	119,800	Iowa City, IA	50,508
Cambridge, MA	95,322	Jackson, MS	204,195
Carbondale, IL	27,194	Jacksonville, FL	556,370
Cedar Rapids, IA	109,086	Jamestown, NY	35,775
Charleston, SC	69,510	Jersey City, NJ	222,881
Cheyenne, WY	47,283	Joliet, IL	77,956
Chicago, IL	2,997,155	Juneau, AK	27,500
Cincinnati, OH	380,118	Kansas City, KS	162,211
Clearwater, FL	85,450	Kansas City, MO	445,222
Cleveland, OH	558,869	Kettering, OH	61,186
Colorado Springs, CO	231,699	Kokomo, IN	47,808
Columbus, OH	570,588	Lafayette, IN	43,011
Concord, CA	104,061	La Mirada, CA	40,986
Corpus Christi, TX	246,081	Largo, FL	58,977
Covington, KY	49,013	Lauderhill, FL	37,271
Cranston, RI	71,992	Los Angeles, CA	3,022,247
Culver City, CA	38,139	Louisville, KY	293,531
Dallas, TX	943,848	Lubbock, TX	176,588
Davenport, IA	103,799	Madison, WI	172,640
De Kalb, IL	33,099	Mankato, MN	28,651
Denton, TX	48,063	Mason City, IA	30,144
Denver, CO	505,563	Memphis, TN	645,760
Detroit, MI	1,138,717	Miami, FL	382,726
East Chicago, IN	39,786	Milwaukee, WI	631,509
East Orange, NJ	77,878	Minneapolis, MN	369,161
Elmhurst, IL	44,251	Mobile, AL	204,586
Erie, PA	118,493	Monroe, LA	57,597
Evansville, IN	130,275	Montebello, CA	52,929
Fall River, MA	92,574	Muncie, In	77,216
Flint, MI	154,019	Nashua, NH	67,865

CITY	POPULATION
Natchez, MS	22,209
New Bedford, MA	98,478
New Orleans, LA	564,561
New York, NY	7,086,096
Norfolk, VA	266,874
Oak Park, IL	54,887
Oak Park, MI	31,537
Ogden City, UT	64,407
Oklahoma City, OK	427,714
Omaha, NE	328,557
Orem, UT	52,399
Paducah, KY	29,315
Parsippany-Troy Hills, NJ	49,868
Pawtucket, RI	71,204
Peoria, IL	122,261
Philadephia, PA	1,665,382
Phoenix, AZ	824,230
Pittsburgh, PA	414,936
Port Arthur, TX	61,195
Provo, UT	73,907
Reno, NV	106,748
Richmond, CA	74,676
Richmond, VA	218,237
Riverside, CA	174,023
Rochester, MN	57,855
Rockford, IL	138,334
Sacramento, CA	288,597
St. Louis, MO	437,354
St. Petersburg, FL	241,214
Salt Lake City, UT	163,859
San Antonio, TX	819,021
San Francisco, CA	691,637
San Jose, CA	659,181
San Juan, PR	522,700
Savannah, GA	145,699
Seattle, WA	490,077
Shreveport, LA	210,881
South Bend, IN	107,690
Spokane, WA	171,903
Stockton, CA	161,815
Sunrise, FL	39,681
Syracuse, NY	166,187
Tacoma, WA	161,351
Tampa, FL	276,413
Tempe, AZ	112,514
Terre Haute, IN	61,125
Toledo, OH	350,565
Topeka, KS	120,269
Torrance, CA	130,213
Trenton, NJ	92,124
Tucson, AZ	352,455
Tulsa, OK	375,300
Waltham, MA	58,200
Washington, D.C.	633,425
Waukegan, IL	67,653
West New York, NJ	39,194
Wilkes-Barre, PA	51,551
Wilmington, DE	70,195
Winston-Salem, NC	140,846
Worcester, MA	161,049
York, PA	44,619

APPENDIX 2

SUBMITTED BY HAROLD O. WILSON

Errata for 'Why Farmers Home Administration Program
Must Be Preserved'

This HAC Viewpoints was completed in January, 1985 and made assumptions based on White House - OMB budget discussion numbers. Very slight changes are noted herein to reflect the actual budget released on February 4, 1985. The Administration's intent to terminate the rural housing programs is unchanged.

Page 2 - The budget includes $50 million for 4550 units of rental assistance (RAP) to be used soley to extend expiring contracts and for servicing. It should be noted that 25,500 contracts will need renewal in 1986 and 1987, 15,500 of which are in 1986. FmHA estimates that 90,650 very low income tenants in agency financed units are experiencing rent overburden (the average tenant in this category pays 52% of income for shelter).

Page 12 Conclusion - The 1986 budget does propose that rural areas be served by HUD, beginning in 1988. This will include a 50% share of 100,000 units of all assisted housing (Section 8, subsidized housing, housing construction). The method for accomplishing this is ill defined, and FmHA housing staff are totally unaware of any plans for implementation. More importantly, history demonstrates that most HUD programs are not well delivered in rural areas. The result is still an abandonment of a proven delivery mechanism for that of private banks and HUD, both of which have not adequately served low and very low-income rural americans in the past. On January 4, 1985 the Housing Affairs Letter reported that HUD objected to 50% of its assisted units being earmarked for rural areas. They note that their future mechanism will be vouchers and cite the lack of suitable rental housing in rural areas.

Appendix No. 1

For 1986 column: change 0 to $30 for Section 502, 0 to 50 for Section 521 Rental Assistance and total to $80.

NOTE: the $30 million for Section 502 loans is to be used solely for essential repairs to housing of existing FmHA borrowers.

Appendix No. 2 - 2 of 2

No additional units are added in FY 1986, but a figure of 4550 would be used for rental assistance.

Why Farmers Home Administration (FmHA) Programs Must Be Preserved

The Case for FmHA's Rural Housing, Community Facility and Farm Programs

Prepared By

Housing Assistance Council, Inc.
1025 Vermont Avenue, N.W.
Suite 606
Washington, D.C. 20005

202-842-8600

January, 1985

The Housing Assistance Council (HAC) is a thirteen-year-old nonprofit corporation which supports the development of rural low- and moderate-income housing nationwide, with special emphasis on minorities and the rural poor. HAC provides technical housing services, seed money loans from a revolving loan fund, housing program and policy assistance, research and demonstration projects, and training and information services.

Why Farmers Home Administration (FmHA) Programs Must be Preserved

THE CASE FOR FMHA'S RURAL HOUSING, COMMUNITY FACILITIES AND FARM PROGRAMS

Preliminary projections made by the Office of Management and Budget (OMB) indicate that the Administration will seek termination for virtually all FmHA programs through its budget request for 1986. In this paper, the Housing Assistance Council (HAC) demonstrates the severe impact such action will have on he poor and cites reasons why FmHA's rural housing programs must be maintained if the poor are to be housed adequately. Although HAC concentrates primarily on FmHA housing and community facilities programs, it recognizes the vital role of FmHA farm programs in the lives of many hardworking rural Americans. For that reason, a short section on FmHA Farm Loan Programs, many of which are slated for termination by OMB, is included at the end of this report.

HAC has been both a critic and defender of FmHA. It has admonished the agency for policy excesses and for failure to use or properly use all appropriated funds, but it has also recognized FmHA achievements and their importance to rural America. The agency should be improved by reform, not abolished.

This paper provides information on the reasons why the 1985 budget request is both unfair and unsound. The basic argument against the OMB proposals can be simply outlined as follows:

(1) Budget costs should be assessed and measured in real and reasonable terms. It is not prudent to consider a loan, which is subject to repayment, in the same manner as a direct federal expenditure or grant.

(2) FmHA is a lender of last resort. Many rural banks are in grave financial trouble (see Appendix 10), and eliminating FmHA programs will compound an already difficult credit situation.

(3) The need for FmHA services continues, unabated. Rural housing overcrowding increased between 1970 and 1980; pollution of existing rural water systems has reached alarming proportions; and small farmers, as a class, are in desperate straits.

(4) The housing stock in rural areas is insufficient. Rural need cannot be met solely by local preservation efforts or by some modest and future voucher assistance program, because there is neither enough housing suitable for rehabilitation nor enough rental stock.

(5) FmHA-financed housing is "bargain priced". In 1984, existing units financed by FmHA cost 54.2% of the national median and new units financed by FmHA cost only 39% of the national average. (See Appendix 3)

(6) The FmHA home ownership program is a common sense approach toward meeting part of the housing need. It costs less to subsidize those who can afford FmHA home ownership than to provide the same family with rental subsidies.

(7) FmHA has a good performance record. We examine it in this paper and highlight it in the appendices.

(8) There is no viable alternative for the rural poor. A viable private housing credit delivery system for low income families does not exist in rural America. FmHA has in place a delivery network, well-suited to the peculiar problems associated with a dispersed population, of 1937 county, 270 district, and 46 state offices.

The Deputy Under Secretary of Agriculture for Small Towns and Rural Development recently advised a delegation of rural housing officials that rural areas have not benefitted from the national economic recovery to the extent experienced nationally and that U.S.D.A. has cited this in an appeal of the 1986 budget levels to OMB Director Stockman.

Enactment of the Administration's budget would be tantamount to abandonment of the rural poor in need of housing, including those now in FmHA subsidized housing. All FmHA housing programs providing new services will be terminated in 1986, but existing rental assistance contracts will expire over a period of years. An estimated 25,500 contracts for low-income tenants will expire during 1986 and 1987, without any provision for renewal or alternative subsidy. How will these low-income tenants be housed? Where is the safety net for the nation's rural needy if these programs are eliminated?

RURAL NEEDS

Housing

While the number of units lacking plumbing in rural areas declined over the 1970's, the number of overcrowded units increased (see Table 1). Annual Housing Surveys show that the number of uncomfortably cold and deficient housing units occupied by low- and very low-income nonmetro households has also increased in recent years. Moreover, unsanitary water is an increasing problem in rural areas.

FmHA should be credited with replacing a large proportion of inadequate units occupied by low-income households. FmHA made more than 1,000,000 loans for home ownership and repair. Simultaneously, the number of rural households living in substandard units declined by more than a million.

Over the 1970s FmHA financed 186,250 rental units and 11,245 units for migrant and seasonal farmworkers. Of the 186,250 FmHA-financed rental units, 41,598 (22.3%) received FmHA rental assistance. Rental assistance was available only for the last two years of the decade, but during that brief timespan it was used for 54% of those units financed.

FmHA resources were not adequate, however, to stem the growth of overcrowded, deficient housing occupied by low-income households, or affordability problems in rural areas.

For example, in 1981, three-fifths of nonmetro very low-income households lived in housing defined by HUD as "having problems" - overcrowded, structurally deficient, and/or with high rent burden. Worse, the number and proportion of very low-income households with such housing problems had increased since 1975, from 55.3% and 3.8 million households to 59.7% and 4.5 million households.

The figures which follow are taken from the Census or from federal studies. They are intended to cover the range of criteria now in use for housing need, and the range of geographic designations which fall under the term "rural". Here, "rural" means communities of fewer than 2,500 residents; "nonmetro" means counties outside Metropolitan Statistical Areas (MSAs) and with cities of fewer than 50,000 residents; and FmHA Service Areas include open country, communities with up to 10,000 residents that are rural in character, and communities with up to 20,000 residents that are rural in character and are outside MSAs.

TABLE I: Census comparison of housing stock in rural areas and places of 2,500 - 10,000 population outside urbanized areas

ITEM	1970	1980	CHANGE
Occupied units without complete plumbing	2,421,549	1,000,690	-1,420,849
Occupied units overcrowded	668,863	972,684	+103,821
Total substandard units	3,920,412	1,973,374(a)	-1,317,083

(a) Note: The appendices provide data developed for the actual FmHA service area, from census tapes, by the Economic Research Service, USDA.

Need For New or Replacement Housing

According to the Census, rural areas alone in 1980 contained 1.7 million occupied units which lacked plumbing or were overcrowded; i.e., which are deemed substandard by conventional measures. Within FmHA Service Areas, there are still 2.2 million units which are overcrowded or lack complete plumbing. According to more detailed data provided by the Annual Housing Survey, nearly a million rural substandard units were occupied by low-income households (with annual incomes of less than $9,000).

By HUD's criteria for structural quality - the most valid measures now in use - in 1981 there were 3.4 million occupied nonmetro units which were physically inadequate. (HUD has not published equivalent data for rural areas.) They constituted 13% of the nonmetro occupied housing. Of these, 1.4 million were severely inadequate.

Worst case households are those which are both poor and in inadequate housing. There were 1.9 million very low-income nonmetro households in inadequate housing as defined by HUD. One million were in severely deficient units. Twenty-two percent of the very low-income owners and 29% of the very low-income renters in nonmetro areas were in inadequate housing.

In addition, the Census reports 1.2 million rural households live in mobile homes manufactured before 1975; i.e., before a federal standard for mobile home safety and construction quality was implemented. More than half of the occupants of pre-standard mobile homes are low-income households.

TABLE-II: Occupied Deficient Units in 1981

	Metro		Nonmetro	
	(Millions)	(% Total)	(Millions)	(% Total)
Total Occupied	56.7	100.0%	26.5	100.0%
Physically Inadequate	4.3	7.5%	3.4	13.0%
Severely Inadequate	1.5	2.7%	1.4	5.5%
Owners				
Occupied	34.8	100.0%	19.6	100.0%
Physically Inadequate	1.5	4.2%	2.0	10.1%
Severely Inadequate	.4	1.2%	.8	4.0%
Renters				
Occupied	22.0	100.0%	6.9	100.0%
Physically Inadequate	2.8	12.7%	1.5	21.2%
Severely Inadequate	1.1	5.1%	.7	9.6%

Inadequate Units Occupied by Very Low-Income Households

	Metro		Nonmetro	
	(Millions)	(% Total)	(Millions)	(% Total)
Total Occupied	14.3	100.0%	7.5	100.0%
Physically Inadequate	2.0	14.2%	1.9	25.0%
Severely Inadequate	.8	5.8%	1.0	13.8%
Owners	5.6	100.0%	4.4	100.0%
Physically Inadequate	.5	17.2%	1.0	22.0%
Severely Inadequate	.2	3.2%	.6	12.6%
Renters	8.8	100.0%	3.0	100.0%
Physically Inadequate	1.5	17.2%	.9	28.9%
Severely Inadequate	.7	7.5%	.5	15.5%

Source: Department of Housing and Urban Development, Office of Policy Development and Research, "Attaining the Housing Goal?", by Iredia Irby, July, 1984.

The composite figure for overcrowded as well as deficient units occupied by very low-income nonmetro households is 2.1 million units. **Thus, by accepted standards for housing quality, there is a need for approximately 2 million new or upgraded units to house rural low-income households. Because nonmetro poverty has increased since these figures were reported (1980-81), it is likely that the current figure would be higher.**

Need For Mortgage and Rental Assistance

In 1981, nearly $15,000 was needed by a nonmetro family of four to meet annual living costs included in the "lower budget" established by the Bureau of Labor Statistics. An estimated $17,000 was needed in 1984, for nonmetro renter households; $20,000 for owner households. (See attached paper for details.) The lower budget assumes that less than a fourth of household income is spent on shelter.

Unfortunately, for nonmetro households of all incomes, gross rent as a percentage of income has increased from 19% in 1970 to 25% in 1980; i.e., rents increased far faster than did income. (USDA) Mobile home rent consumed a larger share of rural incomes - 26%. The mobile home rent burden was greatest for minorities and poverty-level households: 30% for rural black households, over 50% for poverty-level households. (1980 Census)

Worse, the 1981 Annual Housing Survey reports that 2.6 million nonmetro households with incomes of less than $10,000 spent more than 35% on shelter costs. Most of these households earned less than $7,000. Over a million spent more than 60% of their incomes on housing. Over half of these had household incomes of under $3,000, and thus had less than $1,200 remaining with which to cover food, clothing, and other household expenses for the year.

These households had fewer than four members, on the average. However, even using the BLS nonmetro lower living budget for retired couples, they would not have enough left after meeting shelter costs to afford basic expenses.

In the FmHA service areas alone, 1,309,312 tenant families have incomes of $9,999 or less and pay more than 35% of income for rent. Of these families, 831,592 (63.5%) have incomes of less than $5,000.

During December, 1984 FmHA multifamily housing staff estimated that 138,750, or 44.8%, of the tenant households in Section 515 financed housing experienced a rent overburden.

Thus, in addition to poverty households now receiving assistance, as many as 2.6 million nonmetro households need assistance to cover shelter costs.

Need For Seasonal Housing Subsidies

A 1980 survey by the Interamerica Research Associates, under contract to the Farmers Home Administration, found that **750,000 new or substantially rehabbed units for migrant farmworkers were needed.**

Need For Assistance to the Homeless

Under the strictest definition of homelessness - lack of secure shelter from the elements - the rural homeless include migrant workers, family members fleeing abuse, and households evicted from rental or mortgaged properties. The number of households homeless because of all foreclosure actions is unknown, but recent figures indicate that FmHA borrowers are reconveying their homes to the agency at a rate of 16,000 units a year.

Currently, there are at least 350,000 rural households which may be considered potentially homeless, either because they have been unable to meet payments on FmHA housing and farm loans without moratorium assistance, or because their FmHA rental assistance contracts are due to lapse in 1986-87. In other words, the loss of flexible FmHA resources will directly boost the rural homeless population by 350,000 households.

Should the criteria for potential homelessness be broadened to include overcrowded households, the tally would increase by a million households.

Need For Sanitary Water and Waste Disposal Facilities

According to a survey conducted by Cornell University for the U.S. Environmental Protection Agency, two thirds of rural households in 1982 had unacceptably contaminated water, with coliform bacteria the most common contaminant.

The Census of housing reports that in 1980 nearly 2 million rural households relied on dug (not drilled) wells and undefined sources of water.

Nearly 16 million relied on septic tanks or cesspools for sewage disposal. According to a recent study (SCS Engineer), many of these were in areas deemed not suitable for septic fields, and thus contributed to water contamination.

Undefined means of sewage disposal were used by 1.3 million rural households. One and a half million rural households had either no bathroom or only a "half bath."

Thus, the Census indicates at least two million rural households need upgraded water and waste disposal facilities. The EPA study indicates a far higher number, perhaps as many as 14 million households, need facilities to eliminate water pollution, particularly contamination by human waste.

Although underfunded, FmHA programs provided water and waste disposal loans and grants to 24,000 communities over the 1970s. The Administration proposal to eliminate these resources defies any logic which would take into account the alarming state of rural water and waste disposal conditions amply documented by the federal government itself.

Need For Rural Credit

In general, nonmetro households in search of mortgage credit encounter higher interest rates and shorter mortgage terms than are available in metro areas. While these may not be insurmountable obstacles to middle-income rural households, low-income households clearly either cannot afford the market rate loans or, as a HAC survey shows, will not be accepted as credit risks by rural lenders.

Private credit traditionally serves the housing needs of those with the ability to acquire higher cost housing. The difference between the minimum qualifying income for the median priced existing house and the FmHA average income was $6,084 in 1977. The difference increased to $16,957 in 1984. The average mortgage rate for existing homes in 1984 was 12.4 percent. The average FmHA borrower paid approximately 3.0%. The median priced existing house in 1984 was $72,730, whereas the FmHA financed existing house was $39,419.

During 1984 there were more bank failures than in any year since 1938, and most of those failures were in rural areas. Traditionally conservative, rural banks have been increasingly constrained by farm loan delinquencies. According to a recent study by the Economic Research Service of USDA, banks in agricultural areas have been particularly vulnerable to failure and other financial setbacks in recent years. Banks with agricultural portfolios are a considerable rural credit resource; nearly 1,300 of the 8,000 nonmetro banks had over half of their loan funds in agriculture. The jeopardy in which these banks are placed encourages them to collect from delinquent borrowers, contributing to a level of farm and home sales, auctions, and foreclosures exceeding any since the Great Depression.

December, 1984 research by the Federal Home Loan Bank Board identified 523 counties in the United States which have no savings and loan or branch office of a savings and loan. This represents 16.7% of the 3,137 counties in the country. Most of these counties are rural. In fact, the average population in the 523 counties is 10,176.

Most rural counties do have banks, but these are increasingly branches of institutions headquartered in urban areas. The USDA study also suggests that better integration of rural and urban financial markets "may mean that chronically depressed rural areas will be hurt the most...." Former

Secretary of Agriculture Bob Bergland recently noted that correspondent banking by rural banks means that most of the local deposits will be used elsewhere.

Thus, there is ample evidence to conclude that sufficient housing credit is lacking in rural areas, and where that credit is available it serves a higher income clientele. The need for credit and assistance for low and very low-income households has already been documented. Therefore, termination of FmHA housing programs will effectively eliminate any possibility of adequate housing for several million rural families.

Summary of Rural Needs

To summarize, at least 4.5 million very low-income nonmetro households require housing assistance, including at least two million new or substantially rehabbed permanent units. Another 750,000 seasonal units are needed to house migratory farmworkers. Nearly 3 million rural households are in desperate need of sanitary water facilities. The number of those using undefined water sources other than wells or public systems has actually increased since 1970.

There is no evidence that the private sector can or will meet these needs without federal assistance. Private credit on affordable terms is unavailable to low-income rural households and communities. Migrant farmworker housing, almost entirely within the private sector domain, has remained consistently deplorable. Rural communities simply do not have the tax base to solve their increasingly severe water and waste disposal problems.

The housing, sanitation, infrastructure, and credit needs of rural areas could be met, however, by continuing and expanding existing FmHA housing and community facilities programs. As in the past, the network of FmHA field offices would be key to the delivery of program resources to rural areas.

FmHA Housing Performance

A year by year record of performance by FmHA programs which finance housing construction, purchase or repair appears as Appendix 13 to this report. Some facts which are worthy of note follow:

* There are currently 310,000 FmHA Section 515 financed and occupied units. This is 92.9% of the 333,719 units obligated since inception.

* 154,250 tenant families (49.8%) receive deep subsidy assistance.
  - 106,000 FmHA Rental Assistance
  - 48,000 HUD Section 8
  - 1,750 State Rental Assistance

- Despite an average family income, as of August 30, 1984, of $7,742, more than one half of all tenants do not receive supplemental subsidy assistance. Of these tenants, 73.2% had an average income of $5,964.

- The average income of 1984 Section 502 homeownership borrowers was $11,649. While this is $1,449 above the poverty line, it is remarkable given the overall costs of homeownership. The minimum qualifying income for the median priced existing American house ($72,730) in 1984 was $29,635. Appendix 7 provides data reference to Section 502 loans for new housing from 1970 through 1984.

FmHA has been criticized for its high level of delinquency. However, higher delinquency in the FmHA rural housing programs is to be expected given the incomes of families served and the fluctuating employment and economic situation which that income class encounters. Moreover, a review of this delinquency reveals that its extent is well within manageable proportions. In fact, the government's financial interest is in remarkably good condition.

TABLE 3: Dollar Delinquency in the FmHA Section 502 and Section 515 Programs (a)

Program	No. Active Borrowers	Outstanding Principal	Outstanding Principal Delinquent	Dollar Delinquency Percentage
502	982,889	$22,085,192,000	$211,806,000	0.96%
515	10,478	5,701,145,000	10,784,000	0.19%
Combined	993,367	$27,786,337,000	$222,590,000	0.80%

(a) The September 30, 1984 data for these two programs represent 99.3% of the total FmHA rural housing portfolio.

Some FmHA performance has received mixed reaction. HAC deplores the fact that not all available funds have been utilized, despite the obvious need and a backlog of applications. HAC believes FmHA's current emphasis on loan servicing (delinquency reduction) has been excessive and counterproductive. The agency's recent preoccupation with lowering case delinquency has caused unfortunate displacement of families, an increase in government inventory, and increasing dollar losses. In addition, it drains staff resources which could be used to provide more assistance through full use of appropriated funds. Finally, HAC has disagreed with many individual and specific policies and regulations promulgated by the agency, quite a few of which hinder provision of assistance to those most in need.

However, on balance, FmHA performance has been good. Congress and the Administration should build on its strengths.

Budget Assessment

OMB has declared an intention to place FmHA programs "on budget." It plans to do so, at least in part, through the elimination of the Federal Financing Bank (FFB), a Treasury vehicle through which FmHA sells insured paper. The notion that FmHA programs should be on budget is not disputed, only the manner in which those pushing it would provide implementation. The HAC position is that loans, secured by mortgages, are an asset and should be treated differently from direct expenditures. HAC advocates a credit budget type procedure where projected "life of the loan" interest costs are modified by anticipated losses as well as gains achieved by subsidy attrition, recapture, profitable sale, etc. FmHA's budget division has developed sophisticated mechanisms to provide these kinds of estimates, which will yield a more realistic forecast for cost to the government than the methods previously proposed by budget reformers. Appendix 14 illustrates how the HAC budget disclosure plan would work.

The elimination of the Federal Financing Bank would be unfortunate. The FFB provides a mechanism wherein government agencies such as FmHA can sell paper at lower rates and at less cost than if they had to go directly into the market. Without the FFB, FmHA operations would be more costly to the taxpayer. If budget "reformers" believe FFB sales are used to avoid disclosure of the costs of doing business, they should work for reform in actual disclosure, not abolition of the mechanism for cost effective sale of government insured issuances.

Farmer Loan Programs

The budget proposal eliminates all FmHA Farmer Loan programs, save a 70-90% guaranteed operative loan program with a 5 percent origination fee, and a disaster emergency loan program at Treasury bill rates. Neither of these programs will be of much use to famers in trouble, particularly young farmers with extensive debt. The Administration's obvious premise that rural banks will be in a position to participate in the program is also doubtful given the difficulties currently being experienced by agricultural lenders.

No informed person will dispute the fact that the FmHA Farmer Loan programs have myriad problems, not the least of which are high delinquencies and large numbers of borrowers with little hope for success. These problems are, however, symptomatic of the farm economy rather than deficiencies of the loan programs.

If FmHA terminates assistance, troubled young and even older small farmers will have no practical chance for survival.

The Administration's response to troubled borrowers has until now been liquidation. Now a complete cut off of the credit necessary to their survival is proposed. What is needed, in addition to a complete overhaul of the farm subsidy mechanisms is a special debt settlement program which will enable farmers to continue operating.

Conclusion

The information and data in this report provide proof of a continuing and unmet need for services for the rural poor. The Farmers Home Administration programs and delivery system are best equipped to deal with this need with respect to housing, water, waste and health facilities, and assistance to small farmers.

The budget proposal leaves unanswered how the housing needs of the poor will be met. Even if private credit were universally available in rural areas, low and very low-income families could not afford to use it. State and local housing finance efforts utilize tax-exempt offerings to reach families with lower incomes than those who can afford private credit, but these local programs do not serve the poor, or the near poor. The expectations, associated with current budget proposals, that everyone will assume a fair share of the discomfort yielded by the cuts, is disingenuous at best. The budget proposals terminate the FmHA rural housing and community development programs, and in so doing, exacerbate and already impossible situation for the rural poor.

Shelter is not an expendable item that can be cut back or eliminated when times are difficult. It's an essential element required for the support of human life that also has a direct bearing on the creative and productive potential of people. A proposal which would eliminate programs of assistance that have proven successful for years in raising the quality of life for the rural poor, but which at the same time offers no realistic alternatives is questionable on both moral and economic grounds. It reflects a policy that at best is shortsighted.

Rather than being eliminated or cut beyond useful capacity, the FmHA programs should be reformed to assure their efficiency and increase their ability to serve the poor. The economic and social problems of rural communities call for creative solutions, not the burial of programs created to address exactly the problems we face in rural America today.

Appendix 1

FmHA RURAL HOUSING BUDGET REQUEST LEVELS FY 1979 - 1986

(Dollars in Millions and Rounded)

		1979	1980	1981	1982	1983	1984	1985	1986
502	Subsidized R.H Loans	$ 2,007	$2,007	$2,300	$2,530	$ 900	$ 280	$1,600	0
502	Unsubsidized R.H. Loans	674	500	472	802	0	0	0	0
502	Guaranteed R.H. Loans	0	500	275	0	0	0	0	0
504	Low Income Repair Loans	24	24	50	25	24	1	17	0
504	Low Income Repair Grants	24	24	25	25	12.5	0	0	0
514	Farm Labor Housing Loans	38	30	25.6	25.6	19	3	13	0
516	Farm Labor Housing Grants	38	25	25	25	23.2	4.4	0	0
515	Subsidized Rental Housing Loans	820	820	820	983	200	16	690	0
515	Unsubsidized Rental Housing Loans	48	48	48	0	0	0	0	0
521	Rental Assistance	370	393	393	398	185	62	116	0
523	Self-Help T.A. Grants	16.5	5	15	5	0	0	0	0
523	Land Development Loan Fund	0	0	4	4	0	0	0	0
524	R.H . Site Loans	1.2	1	7	5	2	0	0	0
525	Tech. & Supervisory Assist. Grants	0	1.2	2	2	0	0	0	0
509(c)	Compensation for Constr. Defects	5	5	5	2	2	0	0	0
533	R.H. Preservation Grants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
	Rural Hsg. Block Grants	N/A	N/A	N/A	N/A	0	850	0	0
	Collection and Serving Contracts	0	0	0	0	0	10	10	UK
521	Home Ownership Assistance Program (HOAP)	N/A	985	100	100	0	0	0	0
	TOTALS:	$4,065.7	$5,368.2	$4,566.6	$4,931.6	$1.367.7	$1,226.4	$2,446.0	0

(a) Preliminary Budget Request (OMB, White House)

(b) Revolving Loan Fund. Budget level represents requests for additional funding.

Appendix 2
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DOLLAR LEVELS, FmHA PROGRAMS, FY 1979-1985

(Dollars in Millions and Rounded)

Farm Programs	1979 Actual	1980 Actual	1981 Actual	1982 Actual	1983 Actual	1984 Actual	1985 Appropriation
Farm Ownership Loans	763.2	$ 954.1	$ 813.3	$ 661.6	$ 749.6	$ 700.7	$ 732.0
Farm Operating Loans	894.8	874.8	847.6	1,251.0	1,735.5	2,071.4	2,420.0
Emergency Disaster Loans	2,871.6	2,260.0	5,112.3	2,173.4	565.9	1,052.0	870.0
Economic Emergency Loans	3,089.5	1,185.5	1,245.4	-0-	-0-	599.3	-0-
Guaranteed Emergency Livestock Loans	19.0	-0-	-0-	-0-	-0-	-0-	-0-
Soil and Water Loans	51.5	54.6	49.6	24.8	12.2	12.6	28.0
Irrigation and Drainage Loans	0.6	0.5	0.3	1.3	0.6	-0-	-0-
Watershed & Flood prevention Loans	4.8	9.9	16.9	1.1	0.8	-0-	14.0
Resource, Conserv. & Develop. Loans	1.9	1.8	2.0	0.9	1.2	0.08	2.0
Indian Land Acquisition Loans	11.0	6.4	3.6	1.0	7.5	2.6	4.0
Grazing Association Loans	2.1	4.2	-0-	-0-	-0-	-0-	-0-
Recreation Loans	2.2	2.3	1.8	0.7	-0-	-0-	-0-
TOTAL FARMER PROGRAMS	7,712.2	6,355.0	8,092.8	4,115.8	3,073.3	4,438.7	4,070
RURAL HOUSING							
502 Home Ownership Loans	2,078.1	2,843.4	2,589.3	2,476.4	2,137.1	1,849.4	2,300.0
504 Low Income Repair Loans	14.7	21.9	17.9	10.0	7.1	7.2	17.0
504 Low Income Repair Grants	19.0	24.0	22.7	13.6	12.5	12.5	12.5
514 Farm Labor Housing Loans	36.3	24.6	18.5	11.9	4.0	5.5	20.0
516 Farm Labor Housing Grants	32.4	22.3	10.5	14.9	7.5	9.8	-0-
515 Rural Rental Housing	869.5	881.3	864.8	953.7	802.0	919.0	900.0
523 Self-Help T.A. Grants	5.6	6.2	12.4	4.7	10.2	5.1	8.0
523 & 524 Site Loans	4.7	1.3	0.9	0.4	0.3	0.2	3.7
525 Technical & Supv. Assistance Grants	2.5	1.5	1.0	-0-	-0-	-0-	
Rental Assistance Contracts	423.0	393.0	403.0	398.0	123.7	111.0	168.25
509(c) Comp. for Constr. Defects.	0.4	0.6	0.7	0.3	0.3	0.2	1.0
TOTAL RURAL HOUSING	4,286.2	4,220.1	3,941.7	3,883.9	3,105.5	2,919.9	3,413.5
Community Programs							
Water and Waste Loans	900.0	700.0	750.0	375.0	600.0	270.0	340.0
Water and Waste Grants	291.6	298.7	210.4	133.8	313.2	103.7	115.0
Community Facilities Loans	247.0	240.0	260.0	126.2	130.0	130.0	115.0
Rural Development Grants	10.0	10.0	5.0	-0-	-0-	-0-	-0-
Rural Dev. Planning Grants	5.0	6.0	-0-	-0-	-0-	-0-	-0-
Energy Assistance Grants	18.7	20.4	16.5	3.3	-0-	-0-	-0-
Business and Industrial Loans	1,219.3	1,073.8	652.3	125.1	81.9	124.4	150.0
TOTAL COMMUNITY PROGRAMS	2,691.6	2,348.9	1,894.2	763.4	1,125.1	793.7	720.0
TOTAL ALL PROGRAMS	$14,690.0	$12,924.0	$13,928.7	$ 8,763.1	$ 7,303.9	$ 9,480.7	$ 8,203.5

*Construction defects program authorized at $2.0 for FY81, 82, 83, and 84. Was proposed at zero for 84 and 85.

Appendix 2
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FmHA Housing Units Fiscal Years 1979 - 1985

Program	1979	1980	1981	1982	1983	1984*	Appropriation 1985
502 Subsidized	64,264	62,739	61,544	56,850	51,211	43,459	46,278
502 Unsubsidized	29,136	18,918	7,990	5,107	709	20	-0-
502 Above Moderate	374	590	172	-0-	-0-	-0-	-0-
504 Loans	5,213	6,934	5,296	2,771	1,993	2,057	4,213
504 Grants	6,407	8,013	7,014	3,937	3,670	3,416	3,250
514 FLH Loans							
516 FLH Grants	2,575	1,606	913	565	301	775	679
515 Subsidized	36,521	33,565	29,643	30,616	23,406	25,303	23,600
515 Unsubsidized	2,129	2,277	784	-0-	-0-	-0-	-0-
Sub-Total Units	146,619	134,642	113,356	99,846	81,290	75,030	78,020
Rental Assistance Units **	22,623	20,000	17,655	14,280	11,750	11,750	14,050
TOTAL UNITS	169,242	154,642	131,011	114,126	93,040	86,780	92,070

* Preliminary Estimate

** Not unduplicated units, housing unit production contained in subtotal

Appendix 3

Single Family Housing Cost and Income Comparisons, U.S. Overall Sales to Those Financed by FmHA 1977-1984

	All Existing Housing			All New Housing			FmHA Housing		
	Median Price	Mortgage Rate	Qualifying Income	Average Cost	Average Mortgage	Median Income	Aver. price Existing	Aver. Price New	Aver. Family Gross Income
1977	$42,900	9.02%	$ 16,010	$ 54,200	$ 40,500	$ 22,264	$ 22,295	$ 24,133	$ 9,926
1978	48,700	9.58	17,640	62,500	45,900	24,756	25,279	26,977	10,056
1979	55,700	10.92	19,680	71,800	53,300	27,009	28,132	30,183	10,484
1980	62,200	12.95	21,023	76,400	59,200	30,894	30,884	33,115	11,109
1981	66,400	15.12	22,388	83,000	65,300	31,178	33,329	35,136	10,638
1982	67,800	15.38	23,433	83,900	69,800	38,187	36,246	36,495	12,445
1983	70,300	12.85	24,580	89,800	69,600	35,226	37,743	37,216	12,671
1984	$72,730	12.42%	$ 29,635	$ 97,400	$ 73,300	$ N/A	$ 39,419	$ 38,034	$ 12,678
Percent change 1977-1984:									
	+69.5%	+37.7%	+85.1%	+79.7%	+81.0%	+58.2%	+76.8%	+57.6%	+27.7%
Dollar Increase 1977-1984:									
	$29,830		$ 13,625	$ 43,200	$ 32,800	$ 12,962	$ 17,124	$ 13,901	$ 2,752

(a) Source: Nation Association of Realtors, November, 1984 monthly existing home sales report.

(b) Source: National Association of Homebuilders, January 10, 1985.

(c) Source: FmHA 617 reports.

Appendix 4

UNITED STATES SUMMARY

RURAL MEDIAN HOUSEHOLD INCOME:	15,402
MEDIAN HOUSEHOLD INCOME ALL POP:	16,841

VARIABLE	NUMBER
RURAL POPULATION:	80,935,552
NO. OF OCCUPIED SUBSTANDARD UNITS:	2,149,979
RURAL FAMILIES BELOW POVERTY:	2,446,935
RURAL POPULATION 62 YEARS AND OLDER:	11,698,535
RURAL HOUSEHOLDS BELOW 50% OF AREA MEDIAN INCOME:	6,454,017
RURAL HOUSEHOLDS BELOW 80% OF AREA MEDIAN INCOME:	10,897,670
RURAL NON-WHITE POPULATION:	7,931,274
RURAL HISPANIC POPULATION:	3,890,399
RURAL HOUSEHOLDS BELOW 80% OF STATE MEDIAN INCOMES -ALL POP- :	11,610,047

RURAL INCOME STRATA
--HOUSEHOLDS--

INCOME STRATA	NUMBER	% OF U.S. RURAL HOUSEHOLDS
UNDER $5,000:	4,123,729	15.0
$5,000 -$7,499:	2,474,947	9.0
$7,500 -$9,999:	2,342,030	8.5
$10,000 -$14,999:	4,478,489	16.3
$15,000 -$19,999:	4,054,249	14.7
$20,000+:	10,059,906	36.5
TOTAL:	27,533,296	100.0

CHANGE IN TOTAL POPULATION 1970 - 1980

NUMBER:	23,663,365
GROWTH RATE:	11.5

OCCUPANCY CHARACTERISTICS

VACANT FOR SALE:	358,065
VACANT FOR RENT:	642,607
VACANCY RATE:	3.5

RENT TO INCOME STRATA

INCOME STRATA	AVERAGE RENT	PAY LESS THAN 20%	PAY MORE THAN 35%
UNDER $5,000:	145	50,734	831,592
$5,000 -$9,999:	198	205,228	477,720
$10,000 -$14,999:	221	437,708	86,866
$15,000 -$19,999	240	499,023	14,439
$20,000+:	270	811,582	2,268

Appendix 5
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TAKING STOCK

RURAL PEOPLE AND POVERTY FROM 1970 TO 1983

THE HOUSING ASSISTANCE COUNCIL
JULY 1984

SUMMARY

The 1980 Census reveals some positive general trends in the areas of rural poverty and substandard housing conditions, but also their persistence at high levels in certain regions. Specifically, Census data demonstrate the following:

Rural Population Growth:

From 1970-80 the rural population grew by 11%, from nearly 53 million to nearly 59 million.

Poverty Persistence:

Nearly 8 million rural people had incomes below poverty level in 1979. Based on nonmetropolitan trends, it is estimated that the number of rural persons in poverty has increased to at least 13 million in 1983.

The rural poverty rate of 13.2% in 1979 contrasts with a 12.1% urban poverty rate. The rural poverty rate is estimated to have increased to nearly 18% in 1983.

Out of 86 counties in the U.S. with a poverty rate of one third or more, all but one were nonmetropolitan.

Rural poverty is concentrated among minorities and in Appalachia. All the counties with one-third poor were in the Southeast, in black majority communities, in Appalachia, in areas settled by American Indians, Eskimos or Aleuts, in areas with a predominantly Hispanic population, or in the Ozarks. Specifically:

The rural black poverty-level population in 1979 was 1.4 million. Over a third of rural blacks were poor in 1979. Nearly half the black elderly and over half the black female-headed households had incomes below poverty level.

Over half the nation's 1.5 million American Indians lived in rural areas. A third of rural Indians were poor in 1979.

Over 380,000 or more than a fourth of rural Hispanics were poor in 1979.

Most of the rural poor do not receive welfare assistance. Less than a fourth (23%) of rural poverty-level families received public assistance in 1979, whereas over a third (36%) of urban poverty-level households received assistance.

Over half (55.8%) of rural poverty-level families were among the "working poor", with household heads who worked in 1979. This share was a sixth higher than that of urban areas.

Nearly a fifth of the rural poor, as opposed to little more than a tenth of the urban poor, were elderly (over 65).

A fourth of rural poverty-level families were headed by women, with no husband present. The proportion of rural poor families which were female-headed had increased by a third since 1969.

Rural Housing Trends:

The number of rural occupied housing units increased by 25% during the 1970s, from 15.9 to 19.8 million.

The number of occupied rural mobile homes increased by 83%, from 1.26 to 2.30 million.

The number of occupied rural units which were substandard (lacking complete plumbing or overcrowded) declined by two-fifths from 2.88 million to 1.67 million.

There were 1.3 million fewer rural occupied units lacking complete plumbing in 1979 than in 1969.

Rural areas continued to have a disproportionate share of inadequate housing and water and sewer facilities. Specifically, with a fourth of the occupied units, they had:

a third of the substandard units;

over half of those lacking complete plumbing;

three-fifths of those with inadequate heating equipment and "uncomfortably cold";

94% of the units with no acceptable means of sewage disposal (public sewer, septic tank or cesspool);

95% of the units without an acceptable source of water (public system or well).

Units lacking plumbing were concentrated in areas settled by racial minorities and in Appalachia and the Ozarks. Nearly all the nonmetropolitan counties with at least a fifth of the housing stock lacking complete plumbing were in the high poverty regions, including Appalachia, predominantly black communities of the Deep South, counties which contained Indian reservations or trust land (in Alaska, Arizona, New Mexico, South Dakota), or Southwestern counties which were predominantly Hispanic.

Rural Housing Affordability Problems:

In 1979 there were 2.8 million poverty-level rural households. Two-thirds were homeowners.

Rural areas harbored 1.7 million occupied units which were overcrowded or lacked complete plumbing. FmHA Service Areas had 2.2 million such substandard units.

Over 600,000 poverty-level rural households lived in units which were overcrowded or lacked complete plumbing. Two-thirds of these were in the Southern states.

In FmHA Service Areas there were 6.5 million very low-income households, with incomes below 50% of area median. Over a million were estimated to live in units which were overcrowded or lacked complete plumbing.

In general, rural areas in the 1970s gained population and enjoyed a decline in poverty rates. The black population of rural areas and the Deep South continued to decline, but not as rapidly as it had in the 1960s. The rural Hispanic population declined slightly, while the rural American Indian population increased dramatically.

Rural housing lacking complete plumbing declined by half, while the number of overcrowded units increased slightly. The number of mobile homes nearly doubled. Rural homeownership increased, although not significantly if occupant-owned mobile homes on rented sites are discounted. Two-thirds of rural households had water judged unacceptable for at least one major contaminant. The extent to which contaminated water offset the health benefits of increased plumbing is unknown.

In 1979, rural poverty and substandard housing rates continued to be higher than those of urban areas, and their share of public assistance benefits remained lower. Over half of the heads of rural poverty-level families worked. Over a fifth lived in units which were overcrowded or lacked plumbing.

High poverty rural areas were concentrated in Appalachia, the Ozarks, or regions predominantly settled by minorities, had grown or levelled off in population, and relied for employment chiefly on service and public administration occupations. Agriculture, manufacturing, and mining were other major sources of employment in high poverty areas. Complicated land tenure status of the residents impeded their use of the resources, particularly in obtaining credit for housing or economic development.

Appendix 6
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DRAFT

Nonmetro Cost of Living in 1984

In nonmetro areas, the cost of living on what the Department of Labor's Bureau of Labor Statistics (BLS) termed a "Lower Budget" was $14,619 in 1981, the last year family budgets were published. Applying CPI inflation factors to the budget and its components, we find that the nonmetro lower budget increased to $16,920 by the fall of 1984. Within that budget, the cost of food was $4615, housing (for renters) $3030, clothing $1375, transportation $1789, and medical care $1657. Among specific cost components, housing followed only medicare in its rate of cost increase from 1981 to 1984.

However, these figures are conservative, and probably err on the low side.

(1) For one thing, BLS assumes that those on the lower living budget are renters, with far lower shelter costs than homeowners. However, the majority of nonmetro residents, including those at poverty level, are homeowners. Should we assume that homeowner costs for those on an intermediate budget were a floor and thus applicable to low-income households as well, the nonmetro lower budget for shelter would rise from $3030 to $5853, and the total lower budget would rise to $19,743.

(2) From 1970-81 the cost of living increased more rapidly in nonmetro than in metro areas, and it is likely that the disparity has continued since 1981, when the family budgets were last published. However, of necessity the increases calculated above made use of the national CPI index, rather than a nonmetro index, and thus would underrepresent the current nonmetro cost of living.

We estimate, then, that the cost of living economically for a nonmetro low-income family of four now averages more than $17,000, if the family rents, and probably surpasses $20,000, if it owns and maintains its home.

Metro/Nonmetro Comparisons

BLS figures for family budgets show nonmetro to be lower than metro costs. The one exception is in transportation costs, higher for metro areas for the intermediate and higher budgets, but not for the lower budget. The overall gap between the nonmetro and metro budgets steadily narrowed, however, from 1970 to 1981, the last year the budgets were published.

The BLS nonmetro sample is confined to places with 2,500-50,000 people in 1960, considererd "urban" by the Census Bureau. Nonmetro "rural" places, with fewer than 2,500 residents, are not included, and would probably have mixed effects if they were. Food might cost less, for example, but transportation costs would be higher.

For nonfarm families raising children, however, the overall cost of living is higher in rural areas. The latest estimates of the Family Economics Research Group at the U.S. Department of Agriculture on the cost of raising a child show that as of June, 1984, rural costs were higher in the Northeast, South, and West regions, and were exceeded by urban costs only in the North Central region. The cost of food at home was less in all rural regions, and medical care and miscellaneous expenses were less on the average, but the savings in these categories were surpassed by other expenses. Transportation and clothing cost more in rural areas in three regions; housing, food away from home, and education cost more in two.

For many rural families, expenses exceed incomes. The 1981 Annual Housing Survey reports that 2,686,000 nonmetro households had incomes of less than $10,000 but spent more than 35% of their incomes on shelter costs. Most of these households earned less than $7,000. On the most positive assumptions - that these households only spent 35% of their incomes on shelter and that they were small households - they would still be unable to afford other expenses, according to the the BLS nonmetro lower living budget for retired couples.

Unfortunately, a large proportion of these households are in far worse straits. The AHS shows that 1,123,000 (722,000 renter and 491,000 owner) of the nonmetro households earning less than $10,000 in 1981 spent more than 60% of their incomes on housing. Over half of these had household incomes of under $3000, and thus had less than $1,200 to cover food, clothing, and other household expenses.

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Lower Budget for a Nonmetro Family of Four

	1981		1984		
	Budget	CPI	Budget	CPI	Change
Total cost, autumn	$14,619		$16,920		15.74%
Cost of consumption, total	11,579	272.4	13,402	315.3	15.74
Food	4,313	274.6	4,615	293.8	6.99
Housing (rental)	2,612	293.5	3,030	340.5	16.01
Transportation	1,591	280.0	1,789	314.9	12.46
Clothing		186.9		203.2	8.72
and personal care*		232.0		274.7	18.40
	1,265		1,471 (est)		16.28 (est)
Medical care	1,266	294.5	1,657	385.4	30.86
Other family consumption (Includes education, primarily)**	532	NA	840 (est)	NA	57.80
Other costs	606	NA	NA	NA	NA
Social Security and disability insurance payments	981	NA	NA	NA	NA
Personal income taxes	1,453	NA	NA	NA	NA

*Clothing and personal care are separate items in the CPI. The rate of increase in personal care costs has been far greater than that of clothing, and the disparity is reflected in our weighted estimate. It should be noted, however, that annual spending for clothing and shoes alone in 1984 is estimated at $588 per person. Assuming that $588 per person, or $2,352 per family of four, is the intermediate budget, and that the lower budget is 40% lower as it was in 1981, the cost of clothing in the lower budget would be $1,667. Our aggregate estimate for clothing and personal care appears low, then, even if we assume as DOL does that the nonmetro cost for both is lower than that for the nation.

**Other goods and services in the CPI include personal care, educational expenses, and tobacco. Personal care has been dealt with above. Use of tobacco is here considered secondary to education.

Appendix 7

Table 7: Section 502 Cost and Income Distribution for Fiscal Years 1970-1984

	1970	1971	1972	1973	1974	1975	1975	1977	1978	1979	1980	1981	1982	1983	1984
Number of Initial Loans	65,033	103,824	106,878	109,183	86,543	94,589	132,771	107,515	100,476	93,774	82,247	61,957	69,543	51,910	43,459
Average Adjusted Family Income	$ 5,539	$ 5,433	$ 5,471	$ 6,218	$ 7,321	$ 7,750	$ 8,70	$ 9,905	$ 9,697	$ 9,974	$10,031	$ 9,485	$10,952	$11,791	$11,649
Average Loan - New Dwellings*	$12,990	$14,230	$15,483	$17,067	$19,706	$21,932	$23,267	$25,066	$27,949	$31,603	$35,111	$37,222	$39,366	$40,033	$40,920
Average Square Ft. Living Area	1,103	1,078	1,062	1,082	1,053	1,055	1,057	1,057	1,054	1,058	1,062	1,037	1,043	1,053	1,071

Percentage distribution of total number of initial loan borrowers by adjusted family income:

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Under $3,000	11.1%	12.0%	10.7%	6.7%	2.6%	1.8%	1.2%	0.9%	1.0%	1.2%	1.2%	0.0%	0.0%	0.0%	0.0%
$ 3,000 to $ 3,999	9.5	12.0	13.8	10.1	4.4	3.2	2.1	1.3	1.2	1.1	1.0	1.2	0.5	0.5	0.7
$ 4,000 to $ 4,999	13.6	14.2	16.3	14.2	8.9	7.2	5.5	3.0	2.4	1.9	1.7	1.8	0.7	0.6	1.0
$ 5,000 to $ 5,999	19.7	26.4	16.9	16.1	13.7	12.0	9.8	6.4	4.7	4.8	3.8	3.1	1.6	1.3	2.1
$ 6,000 to $ 6,999	24.5	20.3	18.5	18.0	18.3	15.6	13.8	9.5	8.5	7.5	7.2	6.6	3.8	3.1	4.2
$ 7,000 to $ 7,999	17.4	24.6	18.4	16.8	14.2	17.7	18.0	12.4	11.6	10.4	10.4	10.4	7.3	5.9	6.6
$ 8,000 to $ 8,999	2.8	**	4.2	10.2	14.4	13.5	14.4	14.1	13.7	12.2	13.0	14.3	10.7	8.4	8.0
$ 9,000 to $ 9,999	0.7	**	0.5	4.5	11.6	9.7	9.1	9.1	16.8	14.2	15.9	19.4	15.0	11.6	10.9
$10,000 and over	0.7	**	0.6	3.5	11.8	19.4	26.1	37.5	39.1	46.7	46.3	42.0	60.1	60.6	66.2
Poverty Income: Non Farm Family of 4)	$ 3,968	$ 4,137	$ 4,275	$ 4,540	$ 5,038	$ 5,500	$ 5,815	$ 6,191	$ 6,662	$ 7,370	$ 8,140	$ 8,450	$ 9,300	$ 9,900	$10,200

* Down payment not required

** Not measureable

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FmHA Section 515 MISTR Report on Tenant Incomes
Aug. 23, 1983, Feb. 18, 1984 and August 30, 1984
(August 30, 1984 Print-out Attached)

	8/23/83	2/18/84	8/30/84
1. Total Projects reporting	9,235	9,996	10,341
2. Total Units	180,130	197,629	204,620
3. Units occupied by very low-income tenants	137,556	145,578	149,704
4. Percentage of total Units	76.4%	73.7%	73.2%
5. Average income of very low-income tenants	$ 5,950	$ 5,906	$ 5,964
6. Units occupied by low-income tenants	35,333	42,412	44,529
7. Percentage of total	19.6%	21.5%	21.8%
8. Average income of tenants in 35,333 units	$ 11,201	$ 11,365	$ 11,511
9. Units occupied by moderate-income tenants	7,241	9,639	10,388
10. Percentage of total	4.00%	4.9%	5.1%
11. Average income of tenants in 7,241 units	$ 17,487	$ 17,323	$ 17,215
12. Average income, all tenants	$ 7,458.24	$ 7,634.37	$ 7,742.28

FMHA'S MISTR QUERY AND REPORTING SYSTEM- AVERAGE TENNANT INCOME DATE: 08/30/84

Appendix 8
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SERVICING STATE	PROJECTS	VERY LOW INCOME		LOW INCOME		MODERATE INCOME	
E	REPORTING	UNITS	AVE. INCOME	UNITS	AVE. INCOME	UNITS	AVE. INCOM
ALABAMA	335	4,641	5,838	2,855	11,772	957	16,173
ARIZONA	45	847	5,452	296	12,106	35	17,111
ARKANSAS	125	1,654	4,596	749	9,264	187	14,684
CALIFORNIA	218	8,648	6,426	971	13,379	83	20,244
COLORADO	89	1,486	5,841	212	12,738	43	20,112
DELAWARE	64	1,470	6,397	434	12,322	85	17,385
FLORIDA	192	3,863	6,214	2,967	11,007	591	13,173
GEORGIA	105	1,840	5,460	1,068	10,848	293	16,341
IDAHO	219	3,027	5,521	557	11,789	61	18,284
ILLINOIS	534	6,462	6,410	1,119	12,391	97	18,510
INDIANA	402	6,441	6,527	1,883	9,504	83	22,027
IOWA	1,379	9,146	6,270	1,684	12,566	613	19,379
KANSAS	151	1,495	5,390	295	11,642	60	20,775
KENTUCKY	69	1,721	4,358	528	9,657	56	14,285
LOUISIANA	100	1,564	4,910	1,226	10,951	473	16,210
MAINE	225	3,065	5,766	903	12,199	203	18,975
MASSACHUSETTS	102	2,724	7,694	423	14,923	144	20,346
MICHIGAN	317	7,604	6,442	1,271	12,753	203	20,062
MINNESOTA	587	6,175	6,237	1,615	11,709	439	19,264
MISSISSIPPI	251	3,868	3,967	2,036	9,226	413	14,196
MISSOURI	775	8,873	5,096	2,534	10,198	574	17,360
NEBRASKA	210	1,693	5,737	458	11,903	82	19,019
NEW JERSEY	3	26	7,076	30	14,000	22	18,636
NEW MEXICO	37	1,160	4,493	158	10,071	31	15,172
NEW YORK	137	3,478	7,815	576	14,048	64	21,523
NORTH CAROLINA	308	6,491	5,772	2,962	10,787	587	15,585
NORTH DAKOTA	378	2,614	5,327	787	11,722	265	19,932
OHIO	190	6,491	6,215	797	12,752	116	19,939
OKLAHOMA	132	1,373	5,705	820	11,253	233	16,087
OREGON	148	3,498	5,788	312	13,128	53	20,505
PENNSYLVANIA	137	3,836	6,501	659	15,660	86	19,940
SOUTH CAROLINA	187	3,629	5,196	1,748	11,227	521	16,056
SOUTH DAKOTA	545	3,292	5,427	1,457	10,961	531	18,682
TENNESSEE	73	1,179	5,276	479	10,583	122	16,350
TEXAS	551	6,844	5,996	3,582	11,487	1,315	16,745
UTAH	110	1,475	6,805	710	15,698	88	18,241
VIRGINIA	80	1,945	6,418	652	11,020	171	16,802
WASHINGTON	161	4,481	5,619	164	13,633	27	21,727
WEST VIRGINIA	129	2,218	5,133	769	11,314	150	16,513
WISCONSIN	480	6,277	6,520	1,199	12,488	178	21,192
WYOMING	49	946	6,359	229	14,025	45	24,766
ALASKA	9	65	9,019	149	14,935	8	27,358
HAWAII	3	79	7,000	5	15,000	0	* 0
NATIONAL AVE.	10,341	149,704	5,964	44,528	11,511	10,388	17,215

Appendix 9
1 of 12

Counties without Savings and Loan or Branch Office
(Federal Home Loan Bank Board, December 28, 1984)

State	No. Counties Without S&L	Average Population	Population
U.S. Total	585		
(less Guam, PR & USVI)=	523	10,176	5,322,221
Alabama	10	15,366	153,660
Alaska	1	N/A	N/A
Arizona	2	31,757	63,514
Arkansas	7	9,038	63,266
California	2	2,085	4,170
Colorado	17	2,865	48,705
Connecticut	0		
Delaware	2	98,112	196,224
Florida	2	5,126	10,252
Georgia	45	8,180	368,100
Hawaii	0		
Idaho	22	6,139	135,058
Illinois	11	12,035	132,385
Indiana	4	10,191	40,764
Iowa	0		
Kansas	21	5,828	122,388
Kentucky	32	10,667	341,344
Louisiana	8	14,694	117,552
Maine	7	56,498	395,486
Maryland	2	24,326	48,652
Massachusetts	3	26,115	78,345
Michigan	12	9,957	119,484
Minnesota	4	7,719	30,876
Mississippi	11	5,992	65,912

Missouri	12	7,681	92,172
Montana	29	8,112	235,248
Nebraska	27	2,648	71,496
Nevada	4	1,803	7,212
New Hampshire	1	65,806	65,806
New Jersey	0		
New Mexico	7	4,072	28,504
New York	6	41,698	250,188
North Carolina	14	15,466	216,524
North Dakota	12	3,601	43,212
Ohio	2	23,740	47,480
Oklahoma	13	7,535	97,955
Oregon	3	1,914	5,742
Pennsylvania	4	10,579	42,316
Rhode Island	1	46,942	46,942
South Carolina	1	10,700	10,700
South Dakota	31	4,164	129,084
Tennessee	22	9,191	202,202
Texas	25	3,709	92,725
Utah	14	9,780	136,920
Vermont	5	15,388	76,940
Virginia	38	13,115	498,370
Washington	3	7,998	23,994
West Virginia	20	17,370	347,400
Wisconsin	1	4,172	4,172
Wyoming	3	4,260	12,780
Puerto Rico	48	N/A	N/A
Virgin Islands	1	N/A	N/A
Guam	13	N/A	N/A

TABLE A
U.S. Counties Without S&L Main Offices or Branches

- ALABAMA (10) -

Cleburne
Conecuh
Coosa
Crenshaw
Geneva
Hale
Lowndes
Perry
Washington
Wilcox

- ALASKA (1) -

Second Jud. Div. - N. West

- ARIZONA (2) -

Apache
Greenlee

- ARKANSAS (7) -

Cleveland
Lafayette
Lincoln
Montgomery
Newton
Perry
Stone

- CALIFORNIA (2) -

Alpine
Sierra

- COLORADO (17) -

Cheyenne
Conejos
Costilla
Crowley
Custer
Delores
Elbert
Gilpin
San Miguel
Hinsdale
Jackson
Kiowa
Mineral
Ouray
Park
Saguache
San Juan

- CONNECTICUT (0) -

None

- DELAWARE (2) -

Kent
Sussex

- DISTRICT OF COLUMBIA (0) -

None

- FLORIDA (2) -

Glades
Liberty

- GEORGIA (45) -

Atkinson
Baker
Banks
Brantley
Bryan
Calhoun
Chattahoochee
Clay
Clinch
Crawford
Dawson
Echols
Glascock
Greene
Hancock
Harris
Heard
Jasper
Jenkins
Twiggs
Union
Warren
Webster
Johnson
Lee
Lincoln
Long
Madison
Marion
McIntosh
Miller
Montgomery
Murray
Oglethorpe
Pike
Quitman
Steward
Talbot
Taliaferro
Taftnall
Taylor
Trentlen
Wheeler
White
Wilkinson

- HAWAII (0) -

None

- IDAHO (22) -

Adams
Bear Lake
Benewah
Boise
Boundary
Butte
Camas
Caribou
Clark
Clearwater
Washington
Custer
Franklin
Fremont
Jefferson
Lewis
Lincoln
Oneida
Owyhee
Power
Teton
Yellowstone National

- ILLINOIS (11) -

Alexander
Calhoun
Cumberland
Gallatin
Hamilton
Hardin
Johnson
Pope
Pulaski
Putnam
Scott

- INDIANA (4) -

Crawford
Ohio
Orange
Switzerland

- Iowa (0) -

None

- KANSAS (21) -

Chautauqua
Clarke
Comanche
Cowley
Elk
Gove
Gray
Greeley
Haskell
Hodgeman
Jewell
Kearny
Lincoln
Linn
Ottawa
Rawlins
Stafford
Stanton
Wabaunsee
Wallace
Woodson

- KENTUCKY (32) -

Bath
Bracken
Breathitt
Butler
Carlisle
Clay
Clinton
Cumberland
Edmonson
Elliott
Fleming
Gallatin
Henry
Jackson
Lee
Leslie
Letcher
Lewis
Livingstone
McCreary
Meade
Menefee
Morgan
Nicholas
Owsley
Powell
Robertson
Rockcastle
Spencer
Trimble
Wolfe

- LOUISIANA (8) -

Bienville
Caldwell
Catahoula
East Feliciana
Grant
Pointe Coupee
St. Helena
Tensas

- MAINE (7) -

Aroostook
Franklin
Oxford
Penobscott
Piscataquis
Somerset
Waldo

- MARYLAND (2) -

Caroline
Queen Annes

- MASSACHUSETTS (3) -

Dukes
Franklin
Nantucket

- MICHIGAN (12) -

Alcona
Alger
Antrim
Baraga
Benzie
Lake
Leelanau
Luce
Mackinac
Missaukee
Montmorency
Schoolcraft

- MINNESOTA (4) -

Cook
Lake
Lincoln
Mahnomen

- MISSISSIPPI (11) -

Benton
Calhoun
Carroll
Choctaw
Franklin
Holmes
Issaquena
Jefferson
Marshall
Sharkey
Smith

- MISSOURI (12) -

Atchison
Chariton
Dade
DeKalb
Gentry
Hickory
Knox
Mercer
Montgomery
Schuyler
Shannon
St. Clair

- MONTANA (29) -

Blaine
Carbon
Carter
Chouteau
Daniels
Deer Lodge
Fallon
Golden Valley
Granite
Jefferson
Judith Basin
Liberty
Madison
McCone
Meagher
Mineral
Musselshell
Petroleum
Power River
Prairie
Roosevelt
Rosebud
Sanders
Stillwater
Teton
Treasure
Wheatland
Wilbaux
Yellowstone National

- NEBRASKA (27) -

Arthur
Banner
Blaine
Boyd
Deuel
Dixon
Frontier
Garden
Garfield
Gasper
Grant
Greeley
Hayes
Hitchcock
Hooker
Keyapaha
Logan
Loup
McPhearson
Murrill
Nance
Pawnee
Rock
Sherman
Sioux
Stanton
Wheeler

- NEVADA (4) -

Esmeralda
Eureka
Lincoln
Storey

- NEW HAMPSHIRE (1) -

Grafton

- NEW JERSEY (0) -

None

- NEW MEXICO (7) -

Catron
DeBaca
Guadalupe
Harding
Hidalgo
Mora
Torrance

- NEW YORK (6) -

Cayuga
Greene
Hamilton
Schoharie
Washington
Wyoming

- NORTH CAROLINA (14) -

Bertie
Caldwell
Camden
Caswell
Clay
Currituck
Gates
Graham
Hyde
Jones
Pamlico
Swain
Warren
Yancey

- NORTH DAKOTA (12) -

Benson
Billings
Burke
Grant
Kidder
Logan
Oliver
Sargent
Sheridan
Sioux
Slope
Steele

- OHIO (2) -

Gallia
Monroe

- OKLAHOMA (13) -

Cimarron
Coal
Cotton
Dewey
Greer
Harmon
Harper
Jefferson
Johnston
Latimer
Love
Okfuskee
Pushmataha

- OREGON (3) -

Gilliam
Sherman
Wheeler

- PENNSYLVANIA (4) -

Cameron
Forrest
Fulton
Potter

- PUERTO RICO (48) -

Adjuntas
Aguada
Albonito
Arroyo
Barceloneta
Cabo Rojo
Camuy
Canovanas
Catano
Ciales
Cidra
Coama
Cumerio
Culebra
Fajardo
Guanica
Guayanilla
Gurabo
Hatillo
Homiqueros
Isabella
Jayuya
Juana Diaz
Juncos
Lares
Las Marias
Loiza
Luquillo
Maricao
Maunabo
Moca
Morovis
Naranjito
Orocovis
Patillas
Penuelas
Quebradillas
Rincon
Rio Piedra
Salinas
Santa Isabel
Toa Alta
Utuado
Vega Alta
Vega Baja
Vieques
Villalba
Yabucoa

- RHODE ISLAND (1) -

Bristol

- SOUTH CAROLINA (1) -

Allendale

- SOUTH DAKOTA (17) -

Armstrong
Aurora
Bennett
Bon Homme
Brule
Buffalo
Campbell
Clark
Carson
Deuel
Dewey
Douglas
Edmunds
Faulk
Gregory
Haakon
Hamlin
Hanson
Harding
Hyde
Jackson
Jerauld
Jones
Lymon
McPherson
Mellette
Minor
Sanborn
Shannon
Stanley
Sulley
Todd
Washabaugh
Ziebach

- TENNESSEE (22) -

Cannon
Clay
DeKalb
Decatur
Grainger
Grundy
Hancock
Houston
Jackson
Lake
Lewis
Meigs
Moore
Perry
Pickett
Polk
Scott
Sequatchie
Stewart
Trousdale
Union
Van Buren

- TEXAS (25) -

Armstrong
Atascosa
Borden
Delta
Donley
Franklin
Glasscock
Hartley
Hudspeth
Irion
Jeff Davis
Kenedy
Kent
King
Kinney
Knox
Lipscomb
Loving
McMullen
Oldham
Rains
Roberts
Sterling
Stonewall
Zavala

- UTAH (14) -

Beaver
Box Elder
Daggett
Emergy
Garfield
Juab
Morgan
Piute
Rich
San Juan
Sanpete
Sevier
Tooele
Wayne

- VERMONT (5) -

Caledonia
Essex
Grand Isle
Lamoille
Orleans

- VIRGIN ISLANDS (1) -

St. John

- VIRGINIA (38) -

Allegheny
Amelia
Augusta
Bath
Bland
Brunswick
Buckingham
Charles City
Charotte
Clarke
Craig
Cumberland
Dickenson
Floyd
Fluvanna
Goochland
Grayson
Southhampton
Surry

Greene
Highland
King and Queen
King George
Louisa
Lurenburg
Madison
Matthews
Middlesex
Nelson
New Kent
Northumberland
Patrick
Rappahannock
Russell
Scott
Shenandoah
Sussex
Westmoreland

- WASHINGTON (3) -

Ferry
Lincoln

Pendoreille

- WEST VIRGINIA (20) -

Braxton
Calhoun
Clay
Duddridge
Gilmer
Hampshire
Hardy
Lincoln
McDowell
Mineral

Mingo
Nicholas
Pendleton
Pocahontas
Ritchie
Roane
Tucker
Webster
Wirt
Wyoming

- WISCONSIN (1) -

Florence

- WYOMING (4) -

Crook
Niobrara

Sublette
Yellowstone National

10

- GUAM (13) -

Agat
Asan
Barriguda
Inarajan
Machanao
Merizo
Pita
Sinajana
Sumay
Talofufo
Umatac
Yigo
Yona

Excluded from this table are the Pacific Islands consisting of The Carolines, Marshalls, Marianos, Somas, and Wake Island.

Appendix 10
1 of 7

The Great Farm-Belt Bank Crisis

If Agriculture Collapses, So Will Our Financial Institutions

By Thomas H. Olson and
Weldon Barton

A RAPIDLY GROWING debt crisis is looming across this nation's farm belt, one that threatens the very existence of hundreds of American banks and thus poses great dangers to the national financial system. Already, banks in rural America are failing at a higher rate than at any time since the Depression. But little has been done to cope with this problem.

The farm debt problem has been building since 1980-81. During these few years the value of farm land, farm machinery and other capital assets has plummeted by nearly a third nationwide, and by 50 percent or more in some locations. Of an estimated total farm debt of $215 billion, about $60-70 billion is owed by farmers whose debt exceeds 70 percent of their total assets. These people are the ones who would have to sell out if forced to meet their obligations at current payment schedules. If a wave of liquidations happened, land prices could collapse, and the money the acreage brought might not be sufficient to pay off the banks.

Agricultural banks were not pushed to the breaking point in abnormally large numbers until the middle of 1984. Twenty-two of the 40 banks that failed since June 15 were agricultural banks; they had an average of 53 percent of their total loans in agricultural credits. Most of them are located in the Great Plains states: five in Nebraska, four in Kansas, three in Iowa, two each in Oklahoma and Colorado. The rest were scattered elsewhere.

These numbers could balloon in 1985. There are about 4,300 U.S. banks that have at least 25 percent of their loan portfolios in agricultural loans, and 1,700 with 50 percent in farm loans. There are also about 850 local production credit associations and land bank associations in the federal Farm Credit System which specialize in agricultural lending. Seven of those local farm credit institutions are currently in liquidation — the equivalency of a commercial bank failure.

Thomas H. Olson is president of the Lisco (Neb.) State Bank and chairman of the agriculture committee of the Independent Bankers Association of America. Weldon Barton is the IBAA's agricultural representative.

As long as "slack" remained in the overall credit system, banks and farm credit institutions could use a number of techniques to hold off trouble. They could consolidate farmers' short-term debt into longer-term obligations with lower payments. Credit institutions holding long-term debt secured by land and other fixed assets often "subordinated" their position to a bank which extended short-term operating credit to the same farmer, giving that bank priority access to the farmer's marketing receipts. This practice enabled farmers to secure annual operating capital, and at least postpone the liquidation of fixed assets.

Creditors have often practiced "forbearance" and in effect tolerated a farmer's inability to repay a loan on schedule, as long as the loan remained adequately collateralized. That was possible for a while after farm capital assets began to decline in value, partly because banks often required farmers to put up collateral substantially higher than the loan itself.

But such techniques are fast becoming impossible, as the agricultural credit systems is now tightening almost exponentially. Most ominous of all, the value of farmers' principal asset, their land, may be headed for further dramatic declines. According to Federal Reserve Board economist Emanuel Melichar, the total value of American farmland grew by $465 billion (in 1983 dollars) from 1971-79, and fell by about $149 billion from 1980-83. He says that the remainder of the gains made in '71-'79 may be wiped out in the years ahead as prices for farmland continue to fall.

The arithmetic explaining an agricultural bank's solvency threshold is rather simple. Assume a situation that would be roughly typical for perhaps 1,500 banks across the farm belt.

> *This gathering crisis deserves the kind of highest-level, concerted attention which has been devoted to the foreign debt crisis.*

The bank has $100 million of deposits to invest in loans and other assets (such as municipal bonds). Of this $100 million, about $36 million is loaned out to some 200 farmers — an average debt per borrower of $180,000. The bank is capitalized at 9 percent of deposits, or $9 million, which is $3.5 million more than the minimum required by the regulatory agencies (5.5 percent of assets). This cushion against losses consists mainly of funds accumulated over the years from earnings and the bank's common stock.

If 20 of the bank's $180,000 farm loans are classified by the regulators as unlikely to be collected, they would be treated as losses. But subtracting $3.6 million from the bank's $9 million in capital would wipe out the bank's cushion and bring it below the legal minimum. At that point the bank is legally subject to closing unless corrective action is taken.

Since the average capital level of the approximately 4,300 agricultural banks is about 9 percent of assets, the bank has, in effect, borrowed $10 out of every $11 it has loaned

(cont.)

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2 of 7

CRISIS (cont.)

or invested. That makes it extremely difficult for the banks to withstand a run of farm failures among their customers. Even if a bank wants to be indulgent, it has to worry about its own creditors, who are unlikely to be so sympathetic.

Just as the situation is getting really perilous for the banks, however, the government agencies that might alleviate the situation are either tending to withdraw from involvement or to clamp down rather precipitously.

The Federal Deposit Insurance Corp. and the comptroller of the currency have increased regulatory pressures on banks for downward reappraisal of farmland and pushed for classifying more farm loans in "problem" categories. The Farmers Home Administration has basically closed its loan window as "lender of last resort" to commercially financed farmers who are in trouble. The secretary of agriculture is advocating a "free-market" approach to basic agricultural policies that would allow the USDA to sidestep the responsibility for helping to stabilize the receding agricultural economy.

These government policies all accentuate the negative psychology in the agricultural sector.

FDIC Chairman William Isaac said recently that the bank regulators' list of about 800 "problem" banks is growing because agricultural banks are being added faster than nonagricultural banks are being taken off. Chairman Isaac added, however, that the growing difficulties among farm banks do not pose a "threat" to the banking system as a whole.

The implication is that there are much larger problems to be concerned about. But what about the circles of misery and disruption engulfing local communities when an agricultual bank fails? What if the gathering crisis in 1985 forces widespread liquidations, inundating the weak markets for farmland in a dozen states and carrying in its wake hundreds of additional bank failures?

This gathering crisis deserves the kind of highest-level, concerted attention which has been devoted to the foreign debt crisis. Instead of preaching "free market," the government should be facing up to its responsibilities. The crippling impact of budget deficits on our farm economy must be faced. The government cannot avoid its responsibility to provide essential direction to balance production of farm commodities and demand for them.

There is no serious prospect that the agricultural economy can "grow its way" out of the current debt crisis through export expansion. A multiyear agricultural stabilization policy should be negotiated and enacted by Congress in 1985, when the farm bill has to be rewritten.

Yes, the agricultural sector does face a serious "shakeout" — an inevitable consequence of the excesses of the '70s when inflation took control of our farm sector and distorted it wildly. But the shakeout must be managed with great care, or else the repercussions will be felt far beyond the small rural communities whose banks are now in trouble.

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The New York Times

12-27-84

Bleak Year for U.S. Banking

79 Failures Approach the Level of 1938

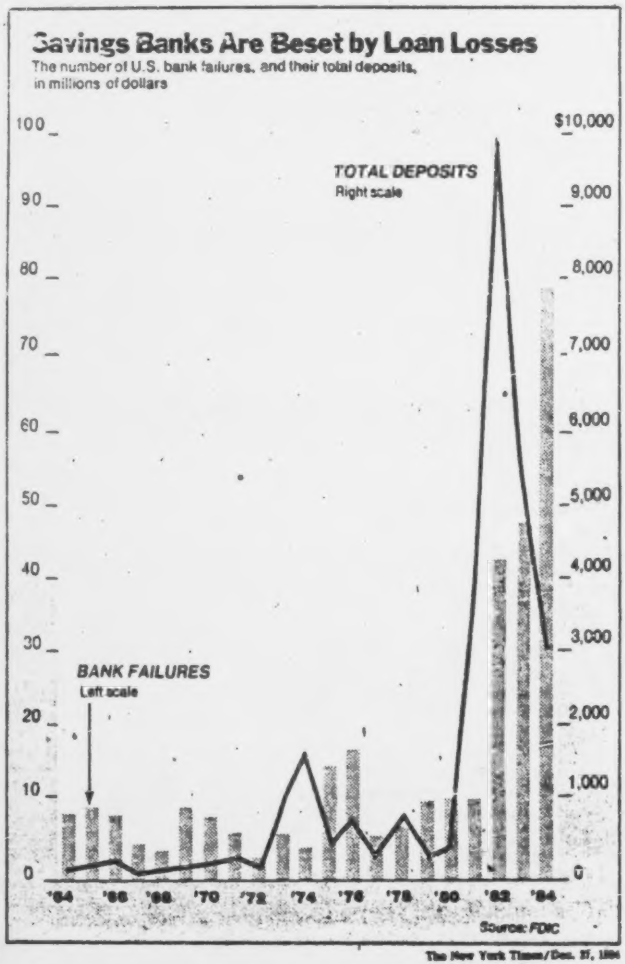
By ROBERT A. BENNETT

This has been a sobering year for the nation's banking system as more banks failed than in any year since the Great Depression. With the collapse last weekend of a small bank in Sandwich, Ill., the number of failures in 1984 rose to 79, the highest since 81 banks failed in 1938.

To be sure, this year's failures are a far cry from the 4,000 or so banks that failed in 1933, when there was no insurance system in place to cushion the blow, either to depositors or to the economy as a whole. Nonetheless, the rash of failures reflects both the existence of trouble spots in the economy — including agriculture, energy and real estate — as well as the uneven capabilities of bankers.

But if the numbers loom large, there are some comforting aspects to them. For one thing, most of the failed banks were relatively small institutions. Although their problems may have shaken their local communities, they represented only a small portion of the banking system, smaller even than in recent years. Deposits at failed banks this year totalled only $2.9 billion, well below the $5.4 billion last year and the $9.9 billion of the previous year.

More importantly, this year's bank collapses had relatively little effect on the overall financial system, and few depositors lost any money. At the start of 1984, there were widespread concerns that loans to developing countries might sour, crippling the banking system. But the "international debt crisis" never quite crystallized. And when the giant Continental Illinois National Bank and Trust Company of Chicago was threatened by a run on deposits in the face of huge problem loans to energy companies, the Federal Deposit Insurance Corporation and the Federal Reserve System quickly pumped in money to keep it from failing.



Savings Banks Are Beset by Loan Losses

The number of U.S. bank failures, and their total deposits, in millions of dollars

Source: FDIC

The New York Times/Dec. 27, 1984

Many analysts are surprised, however, that with the economy in its third year of recovery, many banks are still struggling to stay afloat. Indeed, as the year ended, the F.D.I.C.'s list of so-called problem banks swelled to a record 817, a number that has been growing since the beginning of 1983 and that included major banks as well as smaller ones. The previous record was in 1976, when 380 banks were on the list.

Yet, many analysts believe that the fundamental strength of the banking system has improved considerably in recent months because the nation's biggest banks seem to be in sounder condition.

"We're pretty close to full health," said Ronald I. Mandle, first vice

Continued on Page D12

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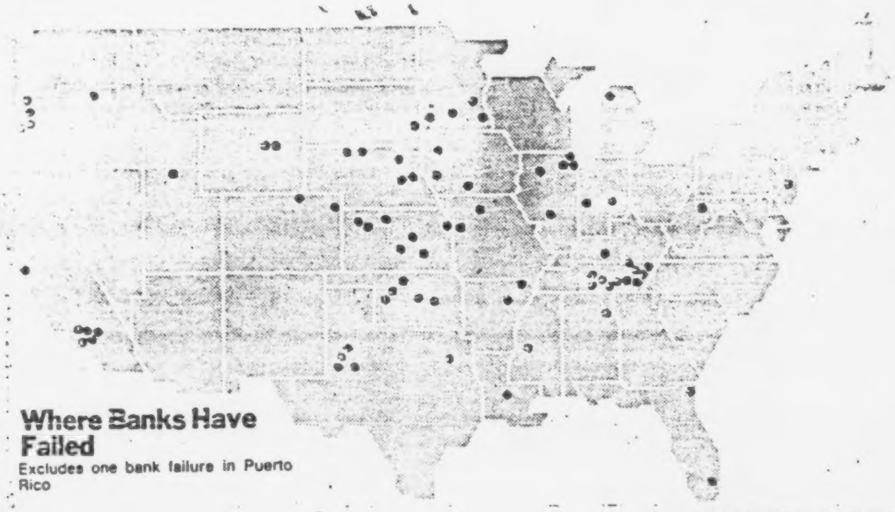

Where Banks Have Failed
Excludes one bank failure in Puerto Rico

The New York Times/Dec. 27, 1984

U.S. Bank Failures This Year Are Near the Level of 1938

Continued From First Business Page

president of Paine Webber Inc.

Most analysts attribute that to an easing of the third world debt crisis. Agreements are being forged between most major debtor nations and the banks, reducing the likelihood of sudden defaults that could wipe out the net worths of a number of this nation's leading banking institutions.

"No banks have failed because of country-debt problems," Mr. Mandle said. "Even Argentina seems to be making progress."

Rather, the biggest problems have been loans to the once-booming domestic energy and agricultural sectors, and to a lesser degree, real estate. To the surprise of many, including banking officials, most of the failures have been in what had been considered the more prosperous Sun Belt states.

According to the F.D.I.C., there were no bank failures in New York State, in New England or in Pennsylvania, and only one in New Jersey and one in Michigan. But there were 11 failures in Tennessee; 6 in California and in Texas; 5 in Oklahoma, Texas, Oregon and Kansas, and 4 in Nebraska and Oklahoma.

"We all sit around trying to figure out why there haven't been more failures in states with high unemployment," said a regulator who asked not to be named. "We speculate that bankers in the Rust Belt have grown up dealing with adversities and know how to survive, and that bankers in areas that have been more prosperous still must learn how to deal with problems."

Regulators say that it is usually difficult to attribute any bank failure to one factor. But in some cases the basic problem is readily apparent.

An example of a bank that failed mainly because of farm loans was the David City Bank of David City, Neb. The bank had been "struggling in a down agricultural economy and this factor was paramount in causing its insolvency," said Roger M. Beverage, Nebraska's director of banking and finance. The bank had deposits of $17.4 million.

In the energy belt, the $25.2 million-deposit Community Bank and Trust Company of Enid, Okla., failed largely because of loans to the energy sector. And in California, the Heritage Bank in Anaheim, a relatively large bank, with deposits of $153.3 million, failed in March, mainly because of loans to real estate developers.

Farther north, the depressed condition of the forestry industry contributed to the failures of two Oregon banks, the Bank of the Northwest in Eugene, and the United Bank of Oregon in Milwaukie.

Brokered Deposits Are Cited

Banking authorities also attribute some of the problems to brokered deposits. Some bankers, they say, are so

(cont.)

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Bank Failures (cont.)

eager to grow that they pay brokers such high rates to get deposits that the money must be re-lent at extraordinarily high rates, and to high-risk credits. In most cases the brokers get the money in large denominations from investors and break the deposits down into chunks of $100,000, the maximum amount insured by the F.D.I.C.

In some cases, banks receive brokered deposits with the understanding that they will make loans to specific borrowers. If the banks fail, the F.D.I.C. repays the depositors.

At the Heritage Bank of Anaheim, for example, $97.5 million of its $153.3 million in deposits represented brokered funds. Similarly, of the $20.7 million of deposits in the Emerald Empire Banking Company of Springfield, Ore., $11.2 million, or more than 50 percent, came from brokers.

In other cases, banking officials indicated that imprudent practices, such as loans to friends and associates, and illegal practices, such as embezzlement and fraud, had played a role in failures.

Questionable practices appear to have been involved, for example, in many of the 11 bank failures in Tennessee this year. Most of these failures were connected to the collapse of the United American Bank of Knoxville, which was owned by Jacob F. Butcher, known as Jake. Mr. Butcher and his brother, Cecil Hilque, or C.H., together had interests in 27 banks with assets of about $3 billion. Jake Butcher has been indicted for bank fraud.

Among the nation's biggest banks, none technically failed this year, but some were shaken. Government officials privately contend that Continental's takeover by the Government was an effective failure — its top executives were dismissed, most of its directors removed and its stockholders are expected to lose most, if not all, of their investment. But the Government's intervention avoided an actual failure of the nation's eighth-largest bank, which could have caused a chain reaction of bank failures.

Large Banks Not Immune

In addition to Continental's problems, other large banks were experiencing serious troubles. In the third quarter, for example, the First Chicago Corporation, the parent holding company of the First National Bank of Chicago, the 10th largest in the United States, reported a $71.8 million loss. That was the result of large loan write-offs following a special examination by the Comptroller of the Currency, the chief regulator of federally chartered banks. Similar events occurred at large banks elsewhere in the United States, especially in Texas and Minneapolis.

Other giant banks, including the Bank of America, in San Francisco, the second largest after Citibank, also reported heavy loan losses.

At both First Chicago and Bank of America, the Comptroller forced the banks' directors — including some of America's most prestigious corporate executives — to sign legally binding pledges that their banks would be run more prudently.

On the more positive side, the nation's biggest banks — under pressure from regulators and investors — have been rebuilding their reserves against loan losses and increasing the levels of their stockholders' investments. As a result, there is a bigger cushion between possible loan losses and depositors' money.

Some analysts say that the pressures on banks to increase their primary capitalization could substantially slow economic growth.

"The danger to the economy," said Lawrence Cohn, first vice president and bank-stock analyst for Dean Witter Reynolds Inc., "is that the banking industry might overreact and tighten up too much. It could starve the economy of credit. I don't lose a lot of sleep over that, but it's something I give some thought to."

Bank Failures in 1984

Chronological summary of 1984 failures of banks insured by the Federal Deposit Insurance Corporation

Bank	Location	Deposits	Date	Action Taken
Farmers Bank and Trust Company	Winchester, Tenn.	$49.0	Jan. 6	Deposits assumed by Mid-South Bank and Trust Company, Murfreesboro, Tenn.
City & County Bank Of Jefferson County	White Pine, Tenn.	$22.0	Jan. 20	Deposits assumed by Merchants and Planters Bank of Newport, Tenn.
Indian Springs State Bank	Kansas City, Kan.	$25.7	Jan. 27	Deposits transferred to Brotherhood Bank and Trust Company, Kansas City, Kan.
Tucker County Bank	Parsons, W. Va.	$15.7	Feb. 3	Deposits assumed by Citizens National Bank of Elkins, W. Va.
Emerald Empire Banking Company	Springfield, Ore.	$20.7	Feb. 3	Deposits assumed by Citizens Valley Bank, Albany, Ore.
Heritage Bank of Bureau County	Depue, Ill.	$8.0	Feb. 8	Deposits assumed by The Colonial Trust and Savings Bank of Bureau County, Depue
West Olympia Bank	Los Angeles	$19.0	Feb. 10	Deposits assumed by Wilshire State Bank, Los Angeles
Brownfield State Bank and Trust	Brownfield, Texas	$38.9	Feb. 17	Deposits assumed by Brownfield State Bank
United Bank of Oregon	Milwaukie, Ore.	$14.5	March 2	Deposits assumed by United States National Bank of Oregon, Portland, Ore.
All American National Bank	Virginia Gardens, Fla.	$11.4	March 2	Deposits assumed by Capital Bank, North Bay Village, Fla.
National Bank and Trust Company	Traverse City, Mich.	$68.0	March 9	Deposits assumed by NBD Northwest Bank, Traverse City
Seminole State National Bank	Seminole, Texas	$41.3	March 16	Deposits transferred to a newly chartered subsidiary of First West Texas Bancshares, Midland, Texas
Heritage Bank	Anaheim, Calif.	$153.3	March 16	Deposits paid off
First Security Bank	Erwin, Tenn.	$21.8	April 6	Deposits assumed by Bank of Tennessee, Kingsport, Tenn.
Watauga Valley Bank	Elizabethton, Tenn.	$13.4	April 6	Deposits assumed by Carter County Bank, Elizabethton
Security National Bank Of Lubbock	Lubbock, Texas	$40.6	April 13	Deposits transferred to City Bank, Lubbock, a newly chartered institution
The Shelby National Bank Of Shelbyville	Shelbyville, Ind.	$60.0	April 19	Deposits assumed by American Fletcher National Bank and Trust, Indianapolis
Gamaliel Bank	Gamaliel, Ky.	$21.6	April 19	Deposits transferred to Deposit Bank of Monroe County, Tompkinsville, Ky.
United American Bank	Chicago	$29.0	April 26	Deposits transferred to Mid-City National Bank of Chicago
Citizens Bank of Monroe County	Tellico Plains, Tenn.	$20.8	April 27	Deposits assumed by Bank of Oak Ridge, Tenn.
West Coast Bank	Los Angeles	$154.8	April 27	Deposits paid off
State Bank of Mills	Mills, Wyo.	$6.0	May 4	Deposits assumed by Mountain Plaza National Bank, Casper, Wyo.
Western National Bank Of Casper	Casper, Wyo.	$22.0	May 4	Deposits assumed by a newly formed subsidiary of Affiliated Bank Corporation, Casper
The First National Bank Of Rushford	Rushford, Minn.	$20.0	May 4	Deposits assumed by Goodhue County National Bank, Red Wing, Minn.
First National Bank	Snyder, Texas	$15.2	May 4	Deposits transferred to American State Bank of Snyder
The National Bank of Carmel	Carmel-by-the-Sea, Calif.	$70.8	May 8	Deposits transferred to County Bank and Trust, Santa Cruz, Calif.
The Mississippi Bank	Jackson, Miss.	$167.6	May 11	Deposits assumed by Grenada Bank, Grenada, Miss.
First Continental Bank and Trust Company of Del City	Del City, Okla.	$92.3	May 11	Deposits transferred to United Oklahoma Bank of Del City
Bledsoe County Bank	Pikeville, Tenn.	$4.9	May 18	Deposits assumed by Citizens Bank of Dunlap, Tenn.
Planters Trust and Savings Bank of Opelousas	Opelousas, La.	$57.0	May 18	Deposits assumed by First National Bank of St. Landry Parish, Opelousas
Washington National Bank Of Chicago	Chicago	$14.2	May 18	Deposits assumed by Banco Popular de Puerto Rico, San Juan, P.R.
Bank of Irvine	Irvine, Calif.	$28.4	May 18	Deposits assumed by Security Pacific State Bank, Irvine
First National Bank Of Prior Lake	Prior Lake, Minn.	$13.4	May 24	Deposits assumed by First National Bank of Shakopee, Minn.
Garden Grove Community Bank	Garden Grove, Calif.	$37.0	June 1	Deposits assumed by Capital Bank, Downey, Calif.
Cherokee County Bank	Centre, Ala.	$36.7	June 6	Deposits assumed by by First Alabama Bank, Anniston, Ala.
Stewardship Bank of Oregon	Portland, Ore.	$5.4	June 8	Deposits paid off
The Lawrence County Bank	Lawrenceburg, Tenn.	$23.7	June 15	Deposits assumed by Farmers Bank of Lawrence County, Lawrenceburg
Farmers State Bank	Lyons, S.D.	$3.0	June 15	Deposits assumed by Dakota State Bank, Colman, S.D.
The Corning Bank	Corning, Ark.	$31.8	June 15	Deposits assumed by a de novo bank: The Corning Bank, Corning

Republic Bank of Kansas City	Kansas City, Mo.	$37.7	June 15	Deposits transferred to Landmark Bank, Kansas City, Mo.
The Farmers National Bank Of Aurelia	Aurelia, Iowa	$16.8	June 21	Deposits assumed by Heritage Bank, Aurelia
American Bank	Saint Joseph, Tenn	$30.7	June 27	Deposits transferred to Commercial and Industrial Bank, Memphis
East Texas Bank and Trust Company	Longview, Texas	$91.2	June 29	Deposits assumed by Texas National Bank, Longview
The Coffeen National Bank	Coffeen, Ill.	$9.3	July 12	Deposits assumed by Coffeen State Bank, Coffeen
Guaranty State Bank Of St. Paul	St. Paul	$25.2	July 19	Deposits assumed by Shelard National Bank of St. Louis Park, Minn.
Coalmont Savings Bank	Coalmont, Tenn.	$23.5	July 24	Deposits assumed by First Bank of Marion County, South Pittsburg, Tenn.
Jackson County National Bank	Tuckerman, Ark.	$13.2	Aug. 9	Deposits assumed by First State Bank of Newport, Ark.
Peoples State Bank of Clay County	Poland, Ind.	$12.8	Aug. 10	Deposits assumed by First State Bank, Poland
The Tingley State Savings Bank	Mount Ayr, Iowa	$16.0	Aug. 10	Deposits assumed by Hawkeye Bank and Trust, Mount Ayr
Girod Trust Company	San Juan, P.R.	$256.0	Aug. 16	Deposits assumed by Citibank, New York
The First State Bank	Thayer, Kan.	$11.0	Aug. 22	Deposits assumed by First State Bank, Thayer
Hereford State Bank	Hereford, Colo.	$2.5	Aug. 24	Deposits paid off
Bank of the Northwest	Eugene, Ore.	$16.0	Aug. 31	Deposits assumed by First Interstate Bank of Oregon, Portland, Ore.
David City Bank	David City, Neb.	$17.4	Sept. 6	Deposits assumed by The First National Bank of Omaha
Oakland Savings Bank	Oakland, Iowa	$19.2	Sept. 7	Deposits assumed by Oakland State Bank, a newly chartered subsidiary of Panhandle Aviation Inc., Clarinda Iowa.
Community Bank and Trust Company	Enid, Okla.	$28.2	Sept. 14	Deposits assumed by The First National Bank and Trust Company of Enid
Bank of Verdigre and Trust Company	Verdigre, Neb.	$12.6	Sept. 19	Deposits assumed by The National Bank of Neligh, Neb.
Century National Bank	Jacksonville, Fla.	$15.2	Sept. 20	Deposits assumed by Barnett Banks of Florida Inc., Jacksonville
Security State Bank	Weatherford, Okla.	$46.3	Sept. 21	Deposits assumed by United Community Bank, Weatherford
Orange Savings Bank	Livingston, N.J.	$813.0*	Sept. 28	Acquired with F.D.I.C. assistance by Hudson City Savings Bank of Paramus, N.J.
The Farmers and Merchants Bank	Tecumseh, Okla.	$26.0	Oct. 5	Deposits assumed by Republic Bank of Tecumseh, a subsidiary of Republic Bancshares Inc., of Oklahoma City
The Rexford State Bank	Rexford, Kan.	$5.3	Oct. 10	Deposits assumed by Peoples State Bank of Rexford, a newly chartered subsidiary of JEST Inc., of Oakley, Kan.
Oneida Bank and Trust Company	Oneida, Tenn.	$4.9	Oct. 12	Deposits assumed by Energy Bank of Oak Ridge, Tenn.
Bucklin State Bank of Bucklin	Bucklin, Mo.	$14.0	Oct. 12	Deposits assumed by United Missouri Bank, Brookfield, Mo.
American State Bank	Thomas, Okla.	$21.1	Oct. 19	Deposits assumed by The Bank of Thomas, a subsidiary of Thomas Bancshares Inc., Thomas
State Bank of Boyd	Boyd, Minn	$5.9	Oct. 24	Deposits assumed by State Bank of Madison, Minn.
Farmers State Bank	Kilgore, Neb.	$6.3	Oct. 24	Deposits assumed by The First National Bank of Valentine, Neb.
The Bank of Cody	Cody, Neb.	$9.9	Oct. 24	Deposits assumed by Guardian State Bank, Alliance, Neb.
The First National Bank of Gaylord	Gaylord, Kan.	$5.9	Oct. 26	Deposits assumed by Farmers National Bank of Gaylord
First American Banking Company	Pendleton, Ore.	$13.5	Nov. 16	Deposits assumed by Inland Empire Bank, Hermiston, Ore.
The Strong City State Bank	Strong City, Kan.	$4.3	Nov. 29	Deposits assumed by Chase County Bank, Strong City
The Dayton Bank and Trust Company,	Dayton, Tenn.	$47.5	Nov. 30	Deposits transferred to First National Bank and Trust Company, Rockwood, Tenn.
Golden Spike State Bank	Tremonton, Utah	$6.6	Dec. 4	Deposits assumed by a newly chartered bank that will operate under the same name.
Farmer's State Bank of Holyoke	Holyoke, Colo.	$3.6	Dec. 7	Deposits assumed by Security National Bank, Holyoke, Colo.
University Bank of Witchita	Witchita, Kan.	$4.7	Dec. 11	Deposits assumed by Charter Bank, Witchita, Kan.
Uehling State Bank	Uehling, Neb.	$3.3	Dec. 18	Deposits transferred to a newly charted bank that will operate under the same name.
Farmer's State Bank	Selden, Kan.	$13.8	Dec. 20	Deposits assumed by Selden State Bank, Selden, Kan.
First Security Bank	Sandwich, Ill.	$10.4	Dec. 22	Deposits assumed by First National Bank of Sandwich.

* Data are approximate total assets.

Source: Federal Deposit Insurance Corporation

Appendix 11
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Rural Water and Wastewater Facilities In 1980: A Brief Statistical Overview

Prepared By

The Housing Assistance Council
1025 Vermont Avenue, N.W.
Suite 606
Washington, D.C. 20005

December 1984

Rural Water and Wastewater Facilities in 1980

Rural problems with water supply and sewage disposal are complex. Although indoor plumbing increased over the 1970s, the ensuing benefits to health were and are increasingly offset by the deterioration of waste disposal facilities and the contamination of water supply. This is a widespread rural phenomenon, whose worst effects, however, are concentrated among lower-income households.

Cornell University, under contract with the U. S. Environmental Protection Agency (EPA), reported its findings in 1982 from a survey of 2,654 households representing 22 million rural households. Its National Statistical Assessment of Rural Water Conditions had found that almost two-thirds of all rural households had water judged unacceptable for at least one major contaminant, with coliform bacteria the most common contaminant. In general, households with low incomes (under $10,000) and low education (less than high school) were more likely to have bacterial contamination. About 370,000 rural households hauled water on a regular basis from an off-premises supply.

The 1980 Census shows that most (71%) of rural households in 1980 used septic tanks or cesspools as their method of sewage disposal. Almost half, or 6.7 million, of the 15.7 million septic tank or cesspool users were in the South: 4.4 million were in the North Central region, 2.8 million in the Northeast, and 1.8 million in the West.

Reliance on these on-site facilities distinguishes rural communities from the Census category of households in urban communities (containing more than 2,500 residents) which are, however, "outside urbanized areas". Only 12% of households in non-urbanized communities with from 2,500 to 10,000 residents and only 5% of those in communities with from 10,000 to 50,000 residents used septic tanks or cesspools. The predominant means of sewage disposal in these communities were public sewers, which, in contrast, had been used by only 23% of rural households.

"Other means" of sewage disposal are undefined by the Census. Presumably they include privies at worst and compost or chemical toilets at best. Six percent of rural households used these, as opposed to 1% of larger non-urbanized households and 0.1% of urban households.

The use of "other means" varied widely among states, however, from 40% in Alaska to 1% in Connecticut, Massachusetts, and New Jersey. Use of undefined means of sewage disposal tended to be concentrated in states with relatively high rural poverty populations: Arkansas (20%), Kentucky (16%), Pennsylvania

(16%), Mississippi (15%), New Mexico (13%), West Virginia (12%), Virginia (12%), Alabama (11%), Arizona (11)%), Missouri (10%), and Tennessee (10%). The apparent correlation between poverty and use of undefined sewage disposal methods suggests that the households concerned are using outdoor privies rather than technologically innovative devices for non-waterborne sewage.

Data for sewage disposal were not reported by the Census for minorities. However, the presence of complete indoor bathrooms was reported. Twenty-four percent of rural black households had no bathroom or only a half bathroom in 1980, as opposed to 7% of all rural households, and 4% of white households. Concerning other minorities, 11% of rural Spanish origin households and 10% of American Indian households (which are not broken down by rural and urban location) did not have a complete bathroom.

Compared to the minimal rural use of public sewers, rural households are much more likely to be connected to a public water system, private company system, or cluster well (serving more than five housing units). Forty-four percent used these communal facilities, with almost an equal number (43%) using individual drilled wells. Eight percent had individual "dug" wells.

Five percent used "some other source", at best cistern or purchased water. This proportion is comparable to the rural proportion using "other means" of sewage disposal; however, the proportionate use variations among states indicates that the populations concerned are not identical. Correspondence is close in Appalachia where, for example, Kentucky had as high a rate of using undefined sources of water as it did using undefined means of sewage disposal (16%). Virginia, West Virginia, and Tennessee all were higher than average in their use of undefined water sources, as they were in their use of undefined means of sewage disposal. Correspondence between the two is low in the South, however, where the high use of other means of sewage disposal is in sharp contrast to the low use of other sources of water. As pointed out below, the presence of free-flowing water may be a determinant; in Appalachia, the many mountain streams could be providing other sources of water, however unpotable, and other means of sewage disposal, however unsanitary.

Conversely, southern rural households rely more heavily on public or other communal systems. The National Rural Community Facilities Study contracted by the Farmers Home Administration (which surveyed communities but not households) notes a higher presence of public water systems in small southern communities, and suggests, "To some extent the greater availability of on-site water supplies in the Northeast and North Central regions, through relatively shallow wells and springs, may explain these differences...The relatively heavy reliance on public water systems by communities in the South and West may also be due to recent population growth in these regions."

The common use of "individual dug wells" in some states may be of concern, since the water tapped is less likely to be filtered than that of deeper wells, and the effects on health are questionable. Health problems are less likely in areas where the flow of water is abundant, and the states relying most on dug wells are in such areas: New Hampshire (21%), Maine (19%), Connecticut (17%), Rhode Island (16%), and Vermont. However, southern states with poor soil percolation are also relatively high users of dug wells, as in Georgia (14%), North Carolina (14%), Virginia (14%), Alabama (11%), and South Carolina (10%), and contamination problems there may be more of a problem.

The contamination of drinking water with coliform bacteria is one indication that residential sewage disposal capability is inadequate. Unfortunately, a study by SCS Engineers finds that two-thirds of the land area in the United States do not meet the minimum requirements for soil absorption systems. At the same time, according to the 1980 Annual Housing Survey, 18 million or over two-thirds of rural households relied on septic tanks and cesspools for sewage disposal; another 937,000 used undefined means "other" than public sewer, septic tank, or cesspool. Much of the land area with severe soil limitations is in the areas where septic tank-field absorption systems are common.

The recently released USDA report on the National Rural Community Facilities Study sheds some light on regional variations in the inventory of community facilities. The authors find from a nationwide sample survey of nonmetropolitan communities that more than half (59%) of those in the North Central region and nearly half (45%) of those in the Northeast have no public water supply, and of those that do have public systems, the great majority serve under two-thirds of year-round households. In addition, more than three-fourths of the North Central and two-thirds of the Northeast communities were not served by a wastewater treatment plant. On the other hand, while the South had proportionately more wastewater treatment facilities, they were used least by the local population: "...by far the largest portion of those using on-site disposal methods lived in the South, where there were more than 13 million people within the service area of an existing plant, yet not connected to it".

These findings suggest that the emphasis of the rural water and waste disposal challenge is shifting from meeting an indoor housing need to meeting community needs for sanitary water and waste disposal facilities. There are still many low-income families without indoor plumbing, including bathrooms. But their number is declining, while the number of those drinking contaminated water is widespread and may be increasing, largely due to inadequate and degenerating sewage disposal resources.

Table 1

Households by Source of Water

	Total Households		Public System Or Private Company		Individual Drilled Well		Individual Dug Well		Some Other Source	
	#	%	#	%	#	%	#	%	#	%
U. S. Total	86,758,717	100	72,528,131	84	11,227,722	13	1,874,200	2	1,128,664	1
Urban	64,666,430	100	62,747,855	97	1,677,900	3	171,970	.3	68,725	.1
Rural	22,092,287	100	9,780,296	44	9,549,822	43	1,702,230	8	1,059,939	5
Black	1,057,441	100	482,036	46	368,382	35	158,430	15	48,593	5
Sp. Origin	355,147	100	205,801	58	117,094	33	19,526	6	12,726	4
Am. Indian*	430,370	100	343,525	80	61,718	14	11,132	3	13,995	3

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* Data for American Indians are not reported for rural households.

Table 2

Households by Means of Sewage Disposal

	Total Households		Public Sewer		Septic Tank Or Cesspool		Other Means		No or 1/2 Bath	
	#	%	#	%	#	%	#	%	#	%
U. S. Total	86,758,717	100	64,240,532	74	20,926,961	24	1,591,224	2	2,833,787	3
Urban	64,666,430	100	62,747,835	91	5,267,087	8	290,467	1	1,072,624	2
Rural	22,092,287	100	5,131,656	23	15,659,874	71	1,300,757	6	1,461,757	7
Black	1,057,441	100	NA		NA		NA		248,334	24
Sp. Origin	37,485	100	NA		NA		NA		37,485	11
Am. Indian*	430,370	100	NA		NA		NA		43,018	10

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* Not available for rural households.

Source: 1980 Census, Detailed Housing Characteristics, U.S. Summary.

Table 3

1980 Census

Rural Households: Source of Water

State	Total Rural Households #	%	Public System Or Private Company #	%	Individual Drilled Well #	%	Individual Dug Well #	%	Some Other Source #	%
U. S. rural	22,092,287	100	9,780,296	44	9,549,822	43	1,702,230	8	1,059,939	5
Alabama	568,711	100	291,108	51	193,180	34	60,886	11	23,537	4
Alaska	52,931	100	20,517	39	18,058	34	1,733	3	12,623	24
Arizona	163,292	100	120,013	74	33,651	21	2,339	1	7,289	5
Arkansas	423,136	100	200,437	47	177,474	42	30,136	7	15,089	4
California	817,246	100	472,392	58	285,161	35	20,895	3	38,798	5
Colorado	236,531	100	151,175	64	68,987	29	6,678	3	9,691	4
Connecticut	227,783	100	63,389	28	134,468	59	26,777	12	3,149	1
Delaware	73,636	100	24,723	34	41,715	57	6,593	7	605	1
Florida	653,348	100	294,532	45	336,546	52	17,875	3	4,295	1
Georgia	730,796	100	322,523	44	286,578	39	99,112	14	22,563	3
Hawaii	52,979	100	48,702	92	239	1	71	-	3,967	8
Idaho	161,365	100	71,832	45	74,638	46	5,485	4	9,410	6
Illinois	703,119	100	344,118	79	247,140	35	80,995	13	22,066	3
Indiana	700,159	100	241,165	34	392,159	56	44,359	6	22,476	3
Iowa	451,494	100	218,770	49	172,222	38	53,359	12	7,143	2
Kansas	314,027	100	199,664	64	87,831	28	18,167	6	8,365	3
Kentucky	641,781	100	298,805	47	184,778	29	57,875	9	100,323	16
Louisiana	468,781	100	174,599	59	153,189	33	33,392	7	7,601	2
Maine	220,512	100	68,310	29	94,833	44	41,029	19	16,332	8
Maryland	287,461	100	71,484	25	170,405	59	33,568	12	12,004	4
Massachusetts	327,699	100	210,077	64	89,459	27	23,775	7	4,388	1
Michigan	1,018,410	100	224,632	22	737,282	72	44,362	4	12,134	2
Minnesota	487,326	100	158,627	33	279,859	57	38,841	8	9,999	2
Mississippi	465,291	100	308,800	66	115,561	25	26,351	6	14,579	3
Missouri	627,969	100	296,844	47	256,174	41	40,505	7	34,446	6
Montana	144,196	100	60,756	42	64,815	45	7,978	6	10,647	7
Nebraska	229,232	100	118,828	52	99,416	43	9,302	4	1,686	1
Nevada	48,737	100	30,009	62	16,936	35	727	1	1,065	2
New Hampshire	167,745	100	60,259	36	65,395	39	34,900	21	7,191	4
New Jersey	285,877	100	108,673	38	155,735	54	18,634	7	2,835	1
New Mexico	133,757	100	71,513	53	49,359	37	5,089	4	7,796	6
New York	972,941	100	366,971	38	459,382	49	94,080	10	52,508	3
N. Carolina	1,155,084	100	344,163	30	569,631	49	165,438	14	75,852	6
N. Dakota	130,805	100	71,537	55	44,190	34	8,955	7	6,123	5
Ohio	990,768	100	350,138	35	510,009	51	67,106	7	63,435	6
Oklahoma	386,600	100	241,341	62	124,361	32	13,476	3	7,422	2
Oregon	327,259	100	140,413	43	148,028	45	14,042	4	24,776	8
Pennsylvania	1,308,346	100	503,670	39	643,637	49	68,938	5	92,101	7
Rhode Island	43,353	100	16,272	38	19,864	46	6,734	16	483	2
S. Carolina	501,283	100	218,230	44	219,243	44	52,379	10	11,431	2
S. Dakota	142,825	100	80,209	56	45,157	32	9,283	7	8,176	6
Tennessee	670,815	100	361,292	54	211,682	32	38,313	6	59,528	9
Texas	1,162,693	100	708,382	61	360,911	31	64,456	6	28,944	2
Utah	73,636	100	59,100	80	10,518	14	1,268	1	2,750	4
Vermont	130,670	100	49,517	38	40,739	31	16,302	13	24,032	18
Virginia	666,684	100	186,413	28	315,507	47	92,629	14	72,135	11
Washington	419,624	100	221,888	53	144,229	34	23,370	7	24,137	6
W. Virginia	448,772	100	232,359	52	154,046	34	24,677	6	37,690	8
Wisconsin	608,436	100	147,075	24	417,715	69	33,305	5	10,341	2
Wyoming	66,366	100	33,942	52	27,730	42	1,531	2	3,163	5

Table 4

1980 Census

Rural Households: Means of Sewage Disposal

State	Total Rural Households #	%	Public Sewer #	%	Septic Tank Or Cesspool #	%	Other Means #	%
U. S. Total	22,092,287	100	5,131,656	23	15,659,874	71	1,300,757	6
Alabama	568,711	100	61,104	11	444,948	78	62,659	11
Alaska	52,931	100	15,532	29	21,202	31	16,197	40
Arizona	163,292	100	44,116	27	100,980	62	18,196	11
Arkansas	423,136	100	83,646	20	305,070	72	34,420	8
California	817,246	100	245,123	30	553,042	68	19,081	2
Colorado	236,531	100	105,858	45	121,048	51	9,625	4
Connecticut	227,783	100	34,774	15	190,879	84	2,130	1
Delaware	73,636	100	20,277	28	50,703	69	2,656	4
Florida	653,348	100	158,653	24	477,297	73	17,398	3
Georgia	730,796	100	109,787	15	567,348	78	53,661	7
Hawaii	52,979	100	20,322	38	30,662	58	1,995	4
Idaho	161,365	100	51,672	32	104,491	65	5,202	3
Illinois	703,119	100	207,949	30	473,081	67	22,089	3
Indiana	700,159	100	137,290	20	540,836	77	22,033	3
Iowa	451,494	100	164,263	41	251,683	56	15,548	3
Kansas	314,027	100	140,003	45	160,946	51	13,078	4
Kentucky	641,781	100	98,553	15	439,807	69	103,421	16
Louisiana	468,781	100	99,877	21	341,697	73	27,207	6
Maine	220,512	100	38,705	18	167,728	76	14,079	6
Maryland	287,461	100	56,178	20	214,844	75	16,439	6
Massachusetts	327,699	100	55,003	17	269,819	82	2,877	1
Michigan	1,018,410	100	199,442	20	793,678	78	25,290	3
Minnesota	487,326	100	152,428	31	314,036	64	20,862	4
Mississippi	465,291	100	102,192	22	292,508	63	70,591	15
Missouri	627,969	100	150,655	24	413,536	66	63,778	10
Montana	144,196	100	49,857	35	88,038	61	6,301	4
Nebraska	229,232	100	109,797	48	108,430	47	11,005	5
Nevada	48,737	100	21,455	44	26,283	54	999	2
New Hampshire	167,745	100	30,100	18	133,202	79	4,443	3
New Jersey	285,877	100	82,727	29	199,674	70	3,476	1
New Mexico	133,757	100	33,245	25	82,794	62	17,718	13
New York	972,941	100	187,041	19	764,785	79	21,115	2
N. Carolina	1,155,084	100	148,393	13	915,122	79	91,569	8
N. Dakota	130,805	100	61,881	47	61,304	47	7,620	6
Ohio	990,768	100	206,010	21	737,391	74	47,367	5
Oklahoma	386,600	100	121,555	31	248,243	64	16,802	4
Oregon	327,259	100	78,718	24	240,515	73	8,026	2
Pennsylvania	1,308,346	100	322,845	25	937,278	72	48,223	4
R. Island	43,353	100	3,710	9	38,935	90	708	2
S. Carolina	501,283	100	89,521	18	371,786	74	39,976	8
S. Dakota	142,825	100	65,720	46	69,489	49	7,616	5
Tennessee	670,815	100	84,229	13	522,443	78	64,143	10
Texas	1,162,693	100	311,239	27	789,813	68	61,641	5
Utah	73,636	100	27,026	37	44,632	61	1,978	3
Vermont	130,670	100	31,567	24	94,326	72	4,777	4
Virginia	666,684	100	103,121	15	481,370	72	82,193	12
Washington	419,624	100	89,003	21	319,448	76	11,173	2
W. Virginia	448,772	100	111,864	25	280,881	63	56,027	12
Wisconsin	608,436	100	158,841	26	426,202	70	23,393	4
Wyoming	66,366	100	28,789	44	35,621	54	1,956	3

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TABLE A

Indicators of Housing Need Among Mobile Home Occupants: 1980

	Total	Household Income in 1979 Under $10,000	Under $5,000	Poverty Level
Occupied Mobile Homes	3,874,236	1,507,919	624,522	601,285
Rural	2,371,133	859,514 (E)	362,223 (E)	348,745 (E)
Lacking Complete Plumbing	57,091	38,942	23,682	25,232
Rural	49,637	33,858 (E)	20,589 (E)	21,952 (E)
With Plumbing But Overcrowded	216,597	66,588	23,080	58,694
Rural	150,207	45,946 (E)	16,003 (E)	40,499 (E)
Total "Substandard"	273,688	105,530	46,782	83,926
Rural	199,844	79,804 (E)	36,592 (E)	62,451 (E)
Produced Before 1975	2,756,538	1,171,375	501,143	NA
Rural	1,673,454	714,539 (E)	305,697 (E)	NA
Produced Before 1959	306,829	178,157	94,292	
Rural	174,892	101,532 (E)	53,737 (E)	
Homes Not Anchored (49%)	1,896,826 (E)	NA	NA	NA
Rural (48%)	1,128,209 (E)	NA	NA	NA
Tenure				
Owners	3,095,195	1,086,347	435,178	397,143
Rural	1,921,958	630,081 (E)	256,755 (E)	234,314 (E)
Renters	779,041	413,580	189,344	204,142
Rural	450,225	227,469 (E)	106,033 (E)	114,320 (E)
Site Rented				
Homeowners (65%)	2,007,853 (E)	NA	NA	NA
Rural (58%)	1,108,585 (E)	NA	NA	NA
Home Renters (100%)	779,051 (E)	NA	NA	NA
Rural (100%)	450,225 (E)	NA	NA	NA
Rental Share of Income				
Homeowners' Site Rent	NA			
Home Renters				
More than 30%	281,711	258,951	136,196	144,671
More than 35%	229,146	220,682	131,258	137,564
More than 50%	135,589	135,002	109,904	109,591
Rural	NA	NA	NA	NA

Sources: 1980 Census of Housing, Mobile Homes Subject Report, HC80-3-2; Annual Housing Surveys of 1980 and 1977 (for tie-down factor).

See Footnotes at end of Tables for explanation of estimates.

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TABLE B

Potential Water Source Problems of Mobile Homes

	Total	Household Income in 1979		
		Under $10,000	Under $5,000	Poverty Level
Occupied Mobile Homes	3,874,236	1,507,919	624,522	601,285
Rural	2,371,183	859,514 (E)	362,223 (E)	348,745 (E)
Owners	3,095,195	1,086,347	435,178	397,143
Rural	1,921,958	630,081 (E)	256,755 (E)	234,314 (E)
Renters	779,041	413,580	189,344	204,142
Rural	450,225	227,469 (E)	106,033 (E)	114,320 (E)
Without Public System or Private Company Source of Water	1,487,707	571,485	244,234	256,761
Rural	1,347,400 (E)	491,477 (E)	212,484 (E)	223,362 (E)
Dug Well				
Owners	143,515	55,936	24,831	26,530
Rural	130,599 (E)	50,342 (E)	22,596 (E)	24,142 (E)
Renters	36,108 (E)	21,295 (E)	10,802 (E)	13,636 (E)
Rural	34,303 (E)	19,166 (E)	9,830 (E)	12,409 (E)
Subtotal	179,623 (E)	77,231 (E)	35,633 (E)	40,166 (E)
Rural	161,185 (E)	69,508 (E)	32,426 (E)	36,551 (E)
Undefined:				
Owners	101,631	40,505	17,784	19,632
Rural	92,484 (E)	39,695 (E)	17,606 (E)	19,436 (E)
Renters	25,570 (E)	29,402 (E)	7,659 (E)	9,990 (E)
Rural	14,857 (E)	28,814 (E)	7,582 (E)	9,890 (E)
Subtotal	127,201 (E)	69,907 (E)	25,443 (E)	29,622 (E)
Rural	107,341 (E)	68,509 (E)	25,188 (E)	29,326 (E)
Total Dug Well & Undef.				
Owners	245,146	96,441	42,615	46,162
Rural	223,083 (E)	90,037 (E)	40,202 (E)	43,578 (E)
Renters	61,678	49,697	18,461	23,626
Rural	49,160 (E)	47,980 (E)	17,412 (E)	22,299 (E)
SUBTOTAL	306,824 (E)	146,138 (E)	61,076 (E)	69,788 (E)
RURAL	272,243 (E)	138,017 (E)	57,614 (E)	65,877 (E)

Sources: 1980 Census of Housing, Mobile Homes Subject Report, HC80-3-2;
1980 Annual Housing Survey for rural income level ratios.

TABLE C
Potential Waste Disposal Problems of Mobile Homes

	Total	Household Income in 1979		
		Under $10,000	Under $5,000	Poverty Level
Occupied Mobile Homes	3,874,236	1,507,919	624,522	601,285
Rural	2,371,183	859,514 (E)	362,223 (E)	348,745 (E)
Owners	3,095,195	1,086,347	435,178	397,143
Rural	1,921,958	630,081 (E)	256,755 (E)	234,314 (E)
Renters	779,041	413,580	189,344	204,142
Rural	450,225	227,469 (E)	106,033 (E)	114,320 (E)
W/out Public Sewer	2,188,943	851,538	354,769	367,223
Rural	1,838,258 (E)	689,746 (E)	290,911 (E)	301,123 (E)
Septic Tank/Cesspool				
Owners	1,687,516	581,327	232,965	231,440
Rural	1,347,481 (E)	441,809 (E)	178,264 (E)	177,097 (E)
Renters	424,579 (E)	221,311 (E)	101,340 (E)	118,127 (E)
Rural	339,026 (E)	163,196 (E)	77,545 (E)	90,391 (E)
Subtotal	2,112,193 (E)	959,769 (E)	334,305 (E)	349,567 (E)
Rural	1,686,507 (E)	610,005 (E)	255,809 (E)	267,488 (E)
Undefined:				
Owners	88,771	42,459	21,377	23,472
Rural	77,426 (E)	35,241 (E)	17,869 (E)	19,620 (E)
Renters	22,335 (E)	16,164 (E)	9,299 (E)	11,980 (E)
Rural	19,481 (E)	13,416 (E)	7,808 (E)	10,060 (E)
Subtotal	111,106 (E)	58,623 (E)	30,676 (E)	35,452 (E)
Rural	96,907 (E)	48,657 (E)	25,677 (E)	29,680 (E)

Sources: 1980 Census of Housing, Mobile Home Subject Report, HC80-3-2;
1980 Annual Housing Survey for rural income level ratios.

Estimates (E) for Tables A, B, and C were based on 1980 Annual Housing Survey ratios for rural income ranges; 1977 Annual Housing Survey ratios for tiedowns, with nonresponses eliminated; 1980 Annual Housing Survey ratios for site rental, with nonresponses eliminated. The 1980 Census of Housing, Detailed Housing Characteristics was the basis for rural proportions of dug wells, undefined sourcees of water, septic tanks and cesspools, and undefined means of waste disposal. Proportions were estimated to be higher for mobile home users, because of the higher proportion of those not using public systems, and were increased by the ratio between all nonusers and mobile home nonusers of public systems.

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FmHA Programs which Construct, Purchase or Repair
Rural Housing Units.
Activity since inception through FY 1984

	Units[a]	Dollars[b]
Section 502 RH	1,580,966	$34,324,956,992
Section 504 Loans	70,111	138,463,587
Section 504 Grants	48,329	126,543,754
Section 514 FLH	23,703	337,977,980
Section 515 RRH	333,719[c]	7,720,847,530
TOTALS:	2,056,828	$42,648,789,843

(a) Initial loans and grants in Sections 502 and 504
(b) Total dollars obligated
(c) From 18,044 loans

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SECTION 502 HOME OWNERSHIP LOANS

Year	Number of Units	Total Dollars
1950	3,691	$16,941,528
1951	4,817	22,894,108
1952	3,835	20,038,527
1953	3,137	18,458,787
1954	2,688	16,059,729
1955		
1956	523	3,720,904
1957	3,163	21,290,884
1958	4,591	33,065,871
1959	7,693	60,674,466
1960	4,962	40,735,995
1961	8,198	70,341,121
1962	10,667	96,343,232
1963	19,014	186,192,346
1964	13,579	130,279,176
1965	14,381	130,235,417
1966	28,304	256,458,080
1967	43,973	427,527,854
1968	47,515	468,846,968
1969	46,512	480,421,834
1970	65,033	756,351,941
1971	103,824	1,362,275,872
1972	106,878	1,561,220,800
1973	109,183	1,735,688,490
1974	86,543	1,589,883,200
1975	94,589	1,926,643,300
1976	132,771	2,899,924,862
1977	107,515	2,568,741,370
1978	100,476	2,690,853,100
1979	93,774	2,866,292,440
1980	82,247	2,824,490,930
1981	69,534	2,583,605,810
1982	61,957	2,476,416,760
1983	51,920	2,137,125,930
1984	43,479	1,844,912,360
TOTALS:	1,580,966	$34,324,956,992

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SECTION 504 LOW-INCOME REPAIR PROGRAM

	LOANS		GRANTS	
YEAR	NUMBER OF UNITS	TOTAL DOLLARS	NUMBER OF UNITS	TOTAL DOLLARS
1950	70	65,630	203	89,566
1951	92	84,535	277	131,228
1952	88	72,530	191	90,365
1953	35	33,660	123	57,775
1962	36		145	69,390
1963	132		1,364	1,029,655
1964	215	138,810	5,789	4,805,435
1965	777	603,220	2,361	1,922,020
1966	2,604	2,162,031		
1967	2,906	2,604,915		
1968	4,455	4,818,030		
1969	5,048	5,799,110		
1970	4,390	5,244,590		
1971	4,364	5,492,080		
1972	3,219	5,399,275		
1973	2,596	4,567,782		
1974	2,185	4,429,729		
1975	2,099	4,808,570		
1976	3,115	8,288,660		
1977	3,028	7,885,690	1,882	4,999,820
1978	4,393	11,941,510	3,537	9,000,080
1979	5,213	14,710,250	6,407	18,999,990
1980	6,934	21,923,910	8,013	23,999,990
1981	5,296	17,870,830	7,014	22,743,320
1982	2,771	10,043,550	3,937	13,605,300
1983	1,993	7,075,910	3,670	12,499,930
1984	2,057	7,174,310	3,416	12,499,900
TOTALS:	70,111	$138,463,587	48,329	$126,543,754

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SECTION 514/516 FARM LABOR HOUSING LOANS AND GRANTS

	Number of Units		Dollars	
Year	Individuals	Family	514	516
1962			$ 52,500	$
1963			221,450	
1964	617	130	884,300	
1965	54	18	47,480	
1966	2,789	870	3,465,840	2,156,320
1967	528	1,199	3,818,360	2,678,440
1968	147	1,118	4,494,620	2,700,290
1969	234	710	3,530,910	5,003,500
1970	74	266	1,549,660	2,133,770
1971	0	120	474,300	736,550
1972	72	713	2,693,080	6,683,180
1973	97	1,639	10,214,260	1,745,930
1974	17	1,734	10,000,000	10,080,730
1975	266	831	8,065,000	5,000,000
1976	10	1,108	10,115,920	10,729,570
1977	54	1,157	5,335,760	7,250,000
1978	104	408	9,998,390	7,750,000
1979	206	2,369	36,328,810	32,427,860
1980	120	1,370	24,576,970	22,279,100
	Combined			
1981	913		$18,548,040	$10,518,320
1982	565		11,910,600	14,948,400
1983	301		3,994,290	7,543,530
1984	775		5,484,870	9,807,080
TOTALS:	23,703		$175,805,410	$162,172,570

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SECTION 515 RURAL RENTAL HOUSING LOANS

Year	No. Loans	No. Units	Dollars
1963	2	24	$ 117,000
1964	22	192	1,166,000
1965	35	310	2,017,530
1966	81	578	4,307,170
1967	110	737	5,489,730
1968	297	1,627	13,175,000
1969	390	2,075	17,334,500
1970	510	2,995	28,440,740
1971	442	2,624	26,788,690
1972	515	3,868	40,117,880
1973	730	8,839	105,062,630
1974	879	12,590	173,314,030
1975	1,153	20,903	292,356,340
1976	1,539	30,175	499,983,000
1977	1,336	30,096	544,954,180
1978	1,446	35,511	675,944,550
1979	1,665	38,650	869,508,560
1980	1,539	33,100	881,336,140
1981	1,466	29,500	864,765,230
1982	1,428	30,616	953,667,720
1983	1,195	23,406	801,997,400
1984	1,264	25,303	919,002,010
TOTALS:	18,044	333,719	$7,720,847,530

FmHA Rental Assistance Program Since Inception

Number of Units

Fiscal Year	20 year Contracts New Projects	5 year Contracts New Projects	5 year Contracts Existing Projects	5 year Contracts Renewals	Total Units	Total Contract Dollars
1978	3970		15,005		18,975	348,843,295
1979	5750		16,873		22,623	422,955,250
1980	5000		15,000		20,000	392,990,000
1981	4852		12,803		17,655	402,982,396
1982	3570		10,710		14,280	397,997,880
1983		4,750	3,362	3,634	11,746	123,744,110
1984		4,750	1,064	4,936	10,750	110,994,250
TOTALS:	23,142	9,500	74,817	8,570	116,029	$2,200,507,181

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Placing FmHA Loans "on Budget"

The methods previously proposed for placing FmHA housing programs on budget produce just as little accurate knowledge as does the present system. The cost of loans over a 33 year period can only, at best, be estimated. Actual cost will never be a first year average carried, and inflated over the full term. There are too many intervening factors. A reasonable projection for the cost of an FmHA subsidized loan can be more accurately accomplished by including:

(A) Subsidy cost over the anticipated life of the loans made:

(B) Interest payable to the Federal Financing Bank:

(C) Increases in cost over that for the initial year due to:

  (i) increased subsidy due to decreases in income for some borrowers,

  (ii) Servicing costs such as the payment of taxes from the RHIF,

  (iii) Liquidation losses including those through the sale of inventory,

(D) Subsidy attrition due to:

  (i) increases in borrower income,

  (ii) sale or liquidation of the property prior to the maturation date,

(iii) graduation to other credit,

(iv) interest paid by the borrower,

(v) subsidy recapture,

(vi) gains from liquidation including the sale of inventory.

The attachments illustrate previous attempts at providing more accurate budget cost information for FmHA rural housing loan programs.

ESTIMATE COSTS AND RECAPTURE FOR 910 UNIT HOAP PROGRAM LEVEL OBLIGATED IN FY 1981

YEAR	HOAP SUBSIDY (NO ATTRITION)	INTEREST CREDITS (NO ATTRITION)	TOTAL SUBSIDY (NO ATTRITION)	NO. OF UNITS LEAVING PROG (ATTRITION)	SUBSIDY RECAPTURE	HOAP SUBSIDY NOT REALIZED OWING TO FY ATTRITION	INT CR NOT REALIZED OWING TO FY ATTRITION	NET SUBSIDY PAYMENT TO BE REALIZED
1981	$ 1,115,131	$ 2,480,094	$ 3,595,225	5	$ —	$ —	$ —	$ 3,595,225
1982	1,167,360	2,466,960	3,634,320	16	23,840	6,615	13,979	3,589,886
1983	1,222,992	2,451,456	3,674,448	24	76,104	28,128	56,384	3,513,831
1984	1,282,272	2,435,040	3,717,312	21	103,992	63,686	120,940	3,428,694
1985	1,345,200	2,417,712	3,762,912	19	124,982	97,303	159,681	3,380,946
1986	1,412,688	2,397,648	3,810,336	17	144,551	131,380	222,981	3,311,424
1987	1,486,648	2,375,760	3,862,408	12	126,516	165,847	265,293	3,304,752
1988	1,562,256	2,352,960	3,915,216	23	292,238	194,749	293,336	3,134,893
1989	1,643,424	2,328,336	3,971,760	19	284,981	244,870	346,992	3,094,917
1990	1,732,800	2,300,064	4,032,8[illegible]	37	627,688	293,998	390,224	2,720,954
1991	1,826,736	2,269,968	4,096,704	30	584,130	383,615	476,693	2,652,266
1992	1,926,144	2,238,048	4,164,192	30	663,870	468,695	544,592	2,487,035
1993	2,034,672	2,201,568	4,236,240	30	748,380	562,926	609,100	2,315,834
1994	2,149,584	2,163,264	4,312,848	30	837,930	666,371	670,612	2,137,935
1995	2,273,616	2,120,400	4,394,016	30	830,670	780,608	728,004	2,054,734
1996	2,404,032	2,074,800	4,478,832	30	920,280	905,519	781,508	1,871,525
1997	2,545,392	2,024,640	4,570,032	30	1,015,290	1,043,611	830,102	1,681,029
1998	2,698,608	1,969,008	4,667,616	30	1,116,000	1,196,383	872,927	1,482,306
1999	2,860,944	1,908,816	4,769,760	30	1,222,740	1,363,717	909,869	1,273,434
2000	3,034,224	1,844,064	4,878,288	30	1,212,570	1,547,454	940,473	1,177,791
2001	3,219,360	1,773,840	4,993,200	15	660,720	1,749,186	963,786	1,619,508
2002	3,419,088	1,696,320	5,115,408	15	718,410	1,914,689	949,939	1,532,370
2003	3,632,496	1,611,504	5,244,000	15	779,580	2,094,739	929,301	1,440,380
2004	3,681,408	1,519,392	5,300,800	15	844,410	2,291,102	901,506	1,343,782
2005	4,106,736	1,419,072	5,525,808	15	820,260	2,505,109	865,634	1,334,805
2006	4,370,304	1,309,632	5,679,936	15	885,705	2,738,724	820,703	1,234,804
2007	4,651,200	1,191,072	5,842,272	15	955,050	2,992,272	766,256	1,128,694
2008	4,953,072	1,061,568	6,014,640	15	1,028,565	3,269,028	700,635	1,016,412
2009	5,278,656	919,296	6,197,952	15	1,106,520	3,571,091	622,057	897,404
2010	5,627,040	764,256	6,391,296	15	1,054,500	3,901,414	529,884	905,498
2011	6,000,048	597,360	6,597,408	13	981,201	4,260,034	424,126	932,047
2012	6,401,328	414,048	6,815,376	13	1,052,545	4,630,294	299,495	833,042
2013	6,754,541	256,818	7,011,359	13	1,120,153	5,001,842	188,707	807,155
TOTAL	$100,000,000	$59,341,726	$159,341,726	683	$22,972,351	$51,065,807	$18,195,819	$67,107,749

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PROPER BUDGET ACCOUNT FOR FmHA INTEREST CREDIT PROGRAM
(For use in Federal Credit Budget) (1)

Year(2)	No.(3) Units	Full(4) Int. Credit	No.(5) Units Partial Attrition	Unused I.C..(6) due to Partial Attrition	No.(7) Units Complete Attrition	Unused I.C.(8) due to Compl. Attrition	No.(9) I.C. Additions	Dollars for(10) I.C. Additions	Net.(11) I.C. to be realized	Estimated (12) Recapture

(1) Interest credit is a cost, and as such would be included in unified budget in present form. However, complete detail should be outlined (in form proposed) in a separate federal credit budget which would also provide full information on the extent of FmHA borrowing in the market (through F.F.B. which provides reduction in cost to gov't).

(2) Show initial year through 33rd year. Estimated tracks those agreements entered into in the initial year.

(3) Initial No. Units.

(4) Full interest credit for each year.

(5) Partial attritition represents decreased subsidy - usually due to income increases.

(6) Record budget estimate for decreased subsidy due to partial attrition.

(7) Complete attrition: where borrower no longer receives interest credit due to increased income, payment in full, sale of property, death, etc.

(8) Record amount of subsidy no longer expended due to complete attrition.

(9) Borrowers who previously received no or less interest credit and are now added to the subsidy roles, or have had their subsidy increased

(10) The dollar increase due to interest credit additions.

(11) Net realized equals full interest credit less attrition. This amount should be reported in Unified Budget.

(12) Recapture estimate provided for information only, and as a guide to probable long range cost. Not accepted in the unified budget, recapture should be shown in the credit budget.